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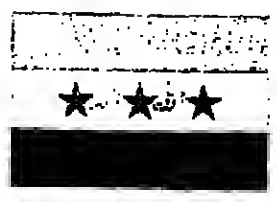

TOMORROW'S **Weekend FT**
Dead men don't testify

World Business Newspaper

FRIDAY JANUARY 12 1996

BP to cut refining by 30% and take $1.1bn charge

British Petroleum plans to sell two refineries and close another as part of changes that will reduce its worldwide refining capacity by 30 per cent. To cover the costs of selling the refineries at Lima in the US state of Ohio and at Lavera, France, and of closing part of the Nerefco refinery in the Netherlands, BP will take a $1.1bn charge in the fourth quarter of 1995. Page 21; Lex, Page 20; An exercise in self-help, Page 19

Italian government quits: Prime minister Lamberto Dini's government resigned, launching Italy into a new period of political uncertainty. Page 20

Thatcher snubs UK premier: Former British prime minister Baroness Thatcher snubbed a call by her successor John Major for unity among the the ruling Conservative party to which they both belong. Page 20

Mahathir urges Malaysian export drive: Malaysia's deepening balance of payments deficit prompted prime minister Mahathir Mohamad to call yesterday for a fresh export drive. Low growth could make developing countries aid-dependent and prey to social instability, he told a Kuala Lumpur conference. Instead companies would be encouraged to tap foreign markets in an export drive aimed at maximising the benefit from economies of scale. Page 20

Lonrho plans mining demerger: UK-based mining and trading group Lonrho is considering plans to split off its mining interests into a new quoted company valued at more than £1bn ($1.55bn). Lonrho annual profits were 40 per cent higher at £151m. Page 21; Lex, Page 20

Writs fly: Guy Snowden, chairman of US lottery equipment company GTech Corporation, issued a writ for defamation, against Richard Branson, chairman of UK retail to travel group Virgin, over an allegation of bribery made on TV. Page 6

Orange float date: Digital mobile phone network Orange, owned by Hong Kong's Hutchison Whampoa and British Aerospace, is to be floated in London and New York in March provided world share prices hold up over the next few weeks. Page 21

Estonia wreck to be covered: A consortium led by Sweden's NCC has been commissioned to cement over the wreck of the passenger ferry Estonia, which sank in the Baltic Sea with the loss of 852 lives in 1994. Relatives of victims protested at the Swedish government's decision not to salvage the ship.

Sick premier requests meeting: Greece's 76-year-old prime minister Andreas Papandreou, who has been in hospital for seven weeks, has asked to see the president amid speculation that he intends to resign. Page 2

Polish shipbuilding loss: Poland's shipbuilding industry made a net loss of about $7m in 1995 despite strong orders. "The main reason ... is their technological obsolescence after years of stagnation in infrastructure investment," Jerzy Doerfer, head of the industry's Ship-building Forum, said.

Crew rescued: The 24 crew of a Greek-registered cargo ship which was sinking in the Atlantic off Newfoundland were rescued by a Canadian fisheries patrol boat.

Bank chiefs held: Two vice-presidents of Banco Portugues do Atlantico, Portugal's biggest commercial bank, have been arrested on money laundering charges, the US Customs Service said. Antonio Delgado, 39, and Fillipo Valli, 57, are accused of using offshore banking facilities to launder funds from the bank's Wall Street branch.

Irian Jaya captives: Pro-independence rebels in Indonesia's Irian Jaya were believed responsible for kidnapping 24 people – including four Britons, two Dutch people and one German – in a remote valley.

FT journalist freed: Paul Adams, Financial Times Nigeria correspondent, was released on bail after being held since last Thursday in the oil city of Port Harcourt. He has been accused of possessing seditious material. Page 5

Hell's image updated: Hell – the eternal destination of sinners according to Christian doctrine – is not a flaming pit peopled by demons and devils, the Church of England says. A new church report says it is a state of non-being.

■ STOCK MARKET INDICES		
New York lunchtime:		
Dow Jones Ind Av	5,057.15	(+24.21)
NASDAQ Composite	1,005.42	(+15.21)
Europe and Far East		
CAC40	1,887.85	(-12.26)
DAX	2,329.51	(-8.68)
FT-SE 100	3,654.9	(-16.6)
Nikkei	20,377.92	(-234.4)

■ US LUNCHTIME RATES	
Federal Funds	5½%
3-mth Treas Bills Yld	5.169%
Long Bond	109½
Yield	6.159%

■ OTHER RATES		
UK: 3-mo Interbank	6½%	(same)
UK: 10 yr Gilt	106⅜	(same)
France: 10 yr OAT	108.36	(108.4)
Germany: 10 yr Bund	104.03	(103.96)
Japan: 10 yr JGB	111.355	(111.358)

■ NORTH SEA OIL (Argus)		
Brent 15-day (Feb)	$17.96	(18.4)

■ GOLD		
New York: Comex		
(Feb)	$399.3	(400.2)
London:		
close	$398.45	(399.4)

■ DOLLAR		
New York: lunchtime		
£	1.545	
DM	1.44165	
FFr	4.94765	
SFr	1.16185	
Y	104.775	
London:		
£	1.5447	(1.545)
DM	1.437	(1.4383)
FFr	4.933	(4.93)
SFr	1.1585	(1.162)
Y	104.585	(104.94)

■ STERLING		
DM	2.2197	(2.2221)
Tokyo close:	Y 104.85	

Austria	Sch37	Greece	Dr400	Malta	Lm0.65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh16	S.Arabia	SR12
Belgium	BFr75	Hungary	Ft230	Neth	Fl 4.75	Singapore	S$4.30
Bulgaria	Lw120.00	Iceland	IKr230	Nigeria	Naira90	Slovak Rp	Sk65
Cyprus	C£1.20	India	Rs75	Norway	NKr20.00	S. Africa	R12.00
Czech Rp	Kc60	Israel	Shk7.50	Oman	OR1.50	Spain	Pta250
Denmark	DKr18	Italy	L4300	Pakistan	Rs40	Sweden	SKr20
Egypt	E£5.00	Japan	Y500	Philippines	Peso50	Switz	SFr3.70
Estonia	EKr22	Jordan	JD1.50	Poland	Zl5.50	Syria	S£65.00
Finland	FM15.50	Kuwait	Fils650	Portugal (mainland)	Es240	Tunisia	Din1.750
France	FFr11.50	Lebanon	US$1.50			Turkey	L70,000
Germany	DM4.00	Lux	LFr75			UAE	Dh12.00

Recession worry looms ■ Economy fails to meet Emu deficit criteria

Fears as downturn hits Germany

By Wolfgang Münchau in Frankfurt

The German economy suffered a sharp downturn in the final quarter of 1995, according to official figures released yesterday, raising fears the country may be teetering on the brink of recession.

The weakening of the economy contributed to the country's failure to meet the budget deficit qualifying criteria for the single European currency by a surprisingly large margin last year.

Mr Günter Rexrodt, the German economics minister, said the economy might have contracted during the fourth quarter and forecast that Germany was going to remain in the doldrums during the current three-month period.

Mr Johann Hahlen, president of the federal statistics office, yesterday put Germany's budget deficit at 3.6 per cent of economic output, 0.6 percentage points higher than the permitted ceiling under the Maastricht treaty.

The poor figures follow zero quarterly growth in the third quarter of last year. The FSO said it was unable to give exact figures on growth for the final quarter of last year, as not all the data had been gathered, but made clear the economy was weak.

The FSO reported the economy grew by only 1.9 per cent in 1995, with growth in western Germany at only 1.5 per cent. The poor performance of the economy was triggered by a strong fall in construction activity.

The budget deficit overshoot indicates that Germany may find it harder to meet the single currency criteria by 1997 than has been widely assumed, and underlines the need for further domestic stability measures.

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Mr Hahlen said the deficit rise was caused by a smaller than expected growth in government receipts. This amounts to a severe embarrassment to Mr Theo Waigel, finance minister, who has pressed hard for a regime of monetary and fiscal rigour for the future single currency zone. Mr Waigel admitted earlier this week Germany may have missed the criteria, but gave no inkling of the scale of the problem.

Several German economists yesterday revised downward their 1996 growth forecasts, after expressing bafflement at the steadily worsening figures.

The consensus was that yesterday's published annual figures imply a fall in fourth quarter GDP by between ¼ and ¾ percentage points.

Mr Richard Reid, chief economist of UBS Germany, said: "From the middle of last year we can say that the economy has been going sideways and there is no indication that it is going to change. We have become a lot more pessimistic." For 1996, UBS forecasts a 1.5 per cent growth rate.

Mr Klaus Friedrich, chief economist of Dresdner Bank, predicted an upswing from the spring, also forecasting 1.5 per cent growth. DIW, the Berlin-based economic institute, earlier this week revised its forecast down to only 1 per cent.

Most economists believe the current data suggest a mid-cycle pause in economic growth, rather than the end of the cycle itself.

Inflation figures also released yesterday by the FSO showed a rise in the consumer price index by an average of 1.8 per cent during last year.

The same rate applied for December, a statistical average of wide diverging figures between east and west.

Hashimoto chosen as Japan PM in shift to right

By William Dawkins in Tokyo

Japan moved to the right yesterday with the election as prime minister of Mr Ryutaro Hashimoto, president of the conservative Liberal Democratic party.

Mr Hashimoto, the first LDP prime minister since his party lost its 38-year grip on power in 1993, reshuffled the 21-seat cabinet, to produce a team he said would "work for a new Japan".

However, his comfortable victory in a parliamentary poll, with 288 votes to the 167 for Mr Ichiro Ozawa, leader of the opposition, elicited a lukewarm reception from Japanese businessmen and Asian neighbours.

Mr Jiro Ushio, chairman of the Association of Corporate Executives, said the new team was "not a full fledged administration", a reference to the choice of a socialist former teacher as finance minister.

Commentators in Malaysia and Singapore doubted Mr Hashimoto would bring a significant change in policy. The Chinese foreign ministry welcomed his election but hoped Japan would show a "clear understanding of history", a reference to Mr Hashimoto's opposition to a national apology for Japan's second world war record.

Mr Hashimoto distributed most of the top cabinet jobs to LDP heavyweights. The LDP holds 13 seats in the new line-up, the same as in the previous government, the Social Democratic party six and the small New Harbinger party two.

The job of finance minister, politically dangerous at a time when the government is under fire for using public money for the liquidation of collapsed housing loan companies, went to Mr Wataru Kubo, deputy head of the SDP. He comes to the cabinet without ministerial experience, as did his party leader, Mr Tomiichi Murayama, who resigned as prime minister last week.

Mr Kubo is widely seen as a scapegoat for the housing loan bail-out. But he is also one of the few politicians with no past connection with the loan companies and has some financial experience as a member of the upper house of parliament's finance committee for the past five years.

He also led the SDP's attempt to scrap the introduction of sales tax in 1989, a qualification which may raise ironic smiles in his new ministry, which proposed the tax. "To stabilise the financial system is the most important political task. In particular, the disposal of bad loans at housing loan companies is crucial," he said last night. For other senior posts, Mr Hashimoto chose LDP politicians with strong cabinet

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Clash of the Shoguns, Page 4

Leaders' farewell for Mitterrand

Some 60 heads of state were among more than 1,500 people who filled Notre Dame cathedral in Paris for the memorial service for former President François Mitterrand, who died on Monday. Chancellor Helmut Kohl, his long-time ally, wiped back tears. Others present included Russia's Boris Yeltsin and Palestinian leader Yassir Arafat. Meanwhile, 250 miles south, Mr Mitterrand was being buried next to his parents in the village of Jarnac. Report, Page 2; Observer, Page 19 Picture Reuter

Roche sacks three for using Internet to retrieve porn

By Ian Rodger in Zurich and Paul Taylor in London

Roche, the Swiss health products group, has summarily dismissed three laboratory assistants in its pharmaceuticals research department in Basle for using company time and computers to retrieve "cyberporn" from the Internet.

Roche's drastic action is the latest indication that big corporate users of the Internet fear prosecution for offences related to the dissemination of pornographic material.

At the moment, there is little or no internal control of the vast amount of material that is freely available to the estimated 35m computer users hooked up to the Internet.

Pornographic material is widely available via certain Usenet discussion groups and at various World Wide Web computer sites on the Internet, including those run by established soft porn magazines such as Playboy and Penthouse.

According to a Swiss business newspaper, Cash, the three sacked laboratory assistants devoted a large part of their work time over several months to retrieving pornographic material from the Internet and ignored a verbal warning to stop. It said several empty discs were found near their computers, suggesting they were copying and redistributing the material.

Two weeks ago, CompuServe, the consumer online information company which provides personal computer users with a "gateway" to the Internet, blocked access to 200 Usenet groups after German prosecutors said the company might be infringing laws designed to shield children from sexually explicit material.

In Switzerland, Roche might risk prosecution under equal treatment legislation that requires employers to protect their employees from sexual harassment.

Growing concern about pornography and other offensive material on the Internet has led to calls for tighter regulation of cyberspace. The US Congress is about to debate the Communications Decency Act, which would impose severe fines on those who make pornographic material available on the Internet.

Roche would not confirm the sackings, citing its legal obligations to protect its personnel. It is understood that the three worked in a very small department, called Pharma Security and Environmental Protection, and so could easily be identified.

Under Swiss law, summary dismissal is permitted only when there are "serious grounds". According to Cash, the three intend to appeal. It is likely that Roche, which is about to begin celebrating its centenary, was reluctant to resort to the sackings.

A number of software packages such as "WinWatch" and "Net Nanny" have been developed which enable companies, parents and other users to monitor Internet usage and block access to obscene material.

Fidelity slashes its holdings in technology stocks

By Maggie Urry in New York

Fidelity Investments, the leading US mutual fund group, has slashed its holdings of technology stocks in a move which could influence other investors in the increasingly volatile sector.

The Magellan fund, Fidelity's largest and best known, has an aggressive investment policy. It cut its weighting in the technology sector from 43.2 per cent of total investments to 31.5 per cent during November, according to figures released yesterday.

Documents filed with the Securities and Exchange Commission revealed the fund management group sharply reduced its stakes in a number of technology stocks, including Texas Instruments, Silicon Graphics, LSI Logic, Cirrus Logic, Advanced Micro Devices and 3Com.

The Magellan fund, worth $53.2bn, is managed by Mr Jeffrey Vinik, who was regarded as one of the leading bulls of the technology sector early last year. The fund's weighting in technology stocks peaked at 45.6 per cent at the end of April. Many investors attempt to emulate Mr Vinik because of his successful record.

Technology stocks led the US stock market higher last year. But persistent rumours in the autumn that Mr Vinik had turned bearish on the sector contributed to the increasing instability of share prices.

The sector slumped in October but recovered again, and Fidelity appears to have taken advantage of that bounce to sell shares. Technology stocks have again come under pressure in recent days after poor profit news from a number of companies, but yesterday the sector was rising.

Fidelity releases its funds' sector weightings on a monthly basis with a six-week delay, so that end-November figures only appeared yesterday. Until the next month's figures are released it will not be known if Mr Vinik continued to sell in December.

Fidelity is facing lawsuits from investors alleging he and another fund manager manipulated share prices by speaking positively

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Chechen leader vows to continue fight

Gunmen seize more hostages as armed stand-off persists on border

By John Thornhill in Moscow

Mr Dzhokhar Dudayev, the rebel Chechen leader, has vowed his countrymen will continue to fight the Russians for as long as it takes to win full independence for the Caucasian region.

"Even if they pull their troops out of Chechnya and a peace agreement is signed, it will not end for 50 years," Mr Dudayev said in an interview with the Moskovsky Komsomolets newspaper.

Mr Dudayev's comments were published as 200 Chechen rebels, who launched a raid on the southern Russian town of Kizlyar, seized more hostages in the the nearby village of Pervomaiskaya and continued to defy Russian security forces.

The Chechens threatened to start shooting the 230 hostages unless their bus convoy was allowed to return to Chechnya. But the Russians appeared to be in no mood to make further concessions, and drew up further reinforcements.

The continued stand-off came as President Boris Yeltsin visited Paris to attend the memorial service for Mr François Mitterrand, the former French president. Questioned by reporters about events in Chechnya, Mr Yeltsin said Russia would be willing to withdraw its troops from the region as soon as the Chechens laid down their arms.

But this trade-off formed the basis of a military agreement, signed between Russian and Moscow-backed Chechen representative last year, which has failed to halt the fighting in the Caucasian republic.

Mr Yeltsin is coming under increased political fire back home for the handling of Chechnya. Continued fighting will badly dent his chances in the presidential elections, scheduled for June, should he decide to run again.

Mr Alexander Lebed, the popular former army commander and newly-elected MP, yesterday condemned the government for its policy towards Chechnya as he declared he would bid for the presidency. The former general, who has frequently condemned the government for its incompetence in dealing with the Chechen rebels, said ministers had failed to learn the lessons of last June when Chechen rebels launched a similar terrorist raid on Budennovsk.

The Interfax news agency reported yesterday that Mr Andrei Nikolayev, head of Russia's border guards, had offered to resign over the failure of security forces to prevent the Chechen raid on Kizlyar.

But Mr Yeltsin was reported to have refused to accept the resignation, saying the border guards were not to blame.

The Russian presidential press service yesterday published a letter from the leaders of eight regions in the northern Caucasus calling on Russia to restore order in the region suggesting military action may soon be stepped up. "The crimes perpetrated in Budennovsk and Kizlyar have show the true nature of Dudayev's militants. Their outrages make the entire North Caucasus suffer," their statement said.

Many of the signatories represent peoples who have centuries-old antagonisms against the Chechens that were exploited by the Russians when they conquered the region in Tsarist times.

Chemicals stocks problem set to ease

By Gillian Tett in London

The problem of excessive stocks which has been damaging the European chemicals industry is almost at an end, the industry said yesterday.

Consequently, western Europe is likely to see some rise in production this year, according to forecasts from the UK Chemical Industries Association. Growth is expected to be 2.5 per cent in 1996, up from last year's 2.2 per cent.

Rapid destocking by companies in sectors such as chemicals is thought to have been a key factor in depressing European manufacturing growth at the end of 1995. Before that, output in the chemicals sector had risen far more quickly than overall growth.

Some economists believe the process of destocking will continue across industry, meaning that the weak pattern of growth will stretch into 1996. However, the association insisted yesterday that the process in the chemicals sector, at least, was now almost over, implying that growth and prices should pick up in the months ahead.

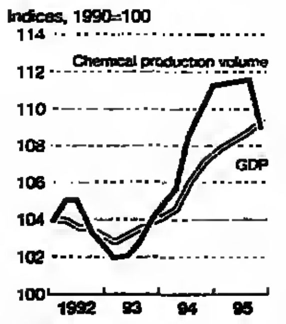
Overall, chemical prices are forecast to rise by only 0.5 per cent this year. This level is well down on the 7.5 per cent seen over 1995, but follows a sharp fall in prices in the final months of last year. Exports of chemicals are projected to rise only 4 per cent, however, down from 5 per cent in 1995.

Nevertheless, these overall figures conceal some striking differences between countries over the past year. Britain, for example, saw its export growth collapse from 8.5 per cent in 1994 to none at all in 1995, although an increase is forecast for this year. There was also a dramatic decline in export growth in Germany, from 10 per cent in 1994 to 4 per cent last year.

This was in marked contrast to Italy, where overseas sales grew from 9 per cent in 1994 to 11 per cent in 1995. This figure is expected to fall to 7 per cent next year. Meanwhile in France, chemical export growth is projected to be on a gentle downward trend, falling from 9 per cent in 1994 to 5 per cent next year.

Western Europe

Indices, 1990=100



Source: OECD

Danielle Mitterrand (left), the late president's widow, at Jarnac yesterday with son Jean Christophe. With them is Mr Mitterrand's mistress Anne Pingeot and their daughter Mazarine *Reuter*

World leaders gather to bid Mitterrand farewell

By Andrew Jack in Paris

Some 60 heads of state were among more than 1,500 people who packed Notre Dame cathedral in Paris yesterday for the memorial service for former President François Mitterrand, who died on Monday.

Chancellor Helmut Kohl, his friend and long-term ally, wiped back tears. Others present alongside President Jacques Chirac included Russia's Boris Yeltsin, Cuba's Fidel Castro, Palestinian leader Yassir Arafat, and from the UK Prince Charles and John Major, the prime minister.

Thousands more stood outside, watching the service on a giant television screen. Cardinal Jean-Marie Lustiger talked in his address about the former president's reflections towards the end of his life on spirituality and death.

Meanwhile, 250 miles to the south, Mr Mitterrand was being buried next to his parents in the village of Jarnac attended by family and friends - and his black labrador.

The smaller service included his wife Danielle and their two children, united for the first time with the former president's mistress Anne Pingeot and his illegitimate daughter Mazarine, whose existence was first revesled publicly little more than a year ago.

Presidents Jacques Chirac and Boris Yeltsin – in Paris for Mr François Mitterrand's memorial service - agreed yesterday that their prime ministers would meet twice a year to boost economic co-operation, Reuter reports from Paris. Mr Yeltsin said this would operate along the lines of a similar Russian-US arrangement. Prime Minister Alain Juppé's scheduled trip to Russia in February will mark the first such meeting.

The two men also discussed security issues, including Nato enlargement and France's recent move closer to the alliance's military wing.

Crowds gathered elsewhere in France, including on the rock of Solutré in Burgundy, where the former president went each Whitsun. The government declared yesterday a day of national mourning. Public offices remained open, but metros and buses across Paris came to a halt at 11am for a one-minute silence.

As a man fond of symbolism, Mr Mitterrand would no doubt have been delighted by the mourning culminating in yesterday's obsequies. Like General de Gaulle, his arch political rival and founder of the fifth republic, Mr Mitterrand, 79, apparently died in his Paris office.

That day's news broadcasts and the following day's newspapers were full of lengthy obituaries and assessments, which tended to play down substantially the more negative aspects of his record 14-year presidency which turned many even of his most ardent fans into critics.

On Wednesday evening, the French Socialist party organised a huge gathering at Bastille, symbol of the French revolution and rallying point after Mr Mitterrand came to power in 1981. Tens of thousands came to sign books of remembrance, light candles and lay red roses beneath huge photos of the former leader.

Many of those who went to the Bastille seemed more inclined to recall their hopes at the time of the first Socialist presidential victory rather than the disillusionments that came later.

But Mr Mitterrand's death was far from a national obsession. The privately owned television channel, M6, reported a huge surge in viewing figures on Monday night when it showed an adventure film instead of lengthy news and analysis on the former president broadcast by its rivals.

Vehicle makers see 3% growth

By John Griffiths

Western Europe's new car market is predicted to grow by about 3 per cent this year, after a disappointing 0.6 per cent in 1995 – well below industry expectations.

High and increasing unemployment in Europe, weak economic growth and high debt levels in many countries, together with social tensions, were all blamed yesterday by the European Automobile Manufacturers Association (ACEA) for the poor performance.

It said new car registrations last year totalled 12,006,800, compared with 11,938,000 the previous year and an early-1990s peak of 13.5m.

The ACEA statistics added to manufacturers' gloom by revealing a steep downturn in December, when registrations fell hy 7.7 per cent compared with a year earlier. "All the indicators have heen pointing in a negative direction; but we should be abla to expect a little better 1996 as a result of some of the recessionary factors fading," Mr James Rosenstein, the ACEA spokesman, said in Brussels yesterday.

The figures showed year-on-year sales falling last month in 10 of the 16 countries monitored.

A strong performance by Volkswagen, now feeling the benefit of its investments in SEAT of Spain and Skoda in the Czech Republic, enabled it to consolidate its market leadership with a 16.8 per cent share, more than three percentage points clear of General Motors. PSA (Peugeot/Citroën) was a distant third but should gain a substantial boost this year from its new 406 medium saloon.

Fiat, in fifth place, is also showing signs of sustained recovery, with a 3.3 per cent rise in sales last year, including a 25 per cent jump for its Alfa-Romeo subsidiary.

However, Japanese manufacturers saw sales slip throughout the year, making tough negotiations likely hetween Tokyo and Brussels at the regular hiannual meetings on European market access for the Japanese industry.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-December 1995

	Volume (Units)	Volume Change(%)	Share (%) Jan-Dec 95	Share (%) Jan-Dec 94
TOTAL MARKET	12,006,800	+0.6	100.0	100.0
MANUFACTURERS:				
Volkswagen group	2,013,424	+6.6	16.8	15.8
– Volkswagen	1,280,819	+5.2	10.7	10.2
– Audi	375,942	+20.2	3.1	2.6
– Seat	292,253	-2.9	2.4	2.5
– Skoda	64,410	+11.6	0.5	0.5
General Motors	1,574,528	+1.0	13.1	13.1
– Opel/Vauxhall	1,504,515	+1.0	12.5	12.5
– Saab	57,556	+10.4	0.5	0.4
PSA Peugeot Citroen	1,440,643	-5.8	12.0	12.8
– Peugeot	861,788	-6.4	7.2	7.7
– Citroen	578,855	-5.0	4.8	5.1
Ford group	1,425,893	+0.8	11.9	11.8
– Ford	1,410,811	+0.5	11.8	11.8
– Jaguar	15,082	+43.2	0.1	0.1
Fiat group*	1,334,947	+3.3	11.1	10.8
– Fiat	1,043,511	+1.7	8.7	8.6
– Lancia	162,370	-0.7	1.4	1.4
– Alfa Romeo	127,291	+25.4	1.1	0.9
Renault	1,238,560	-5.4	10.3	11.0
BMW group	761,554	-2.0	6.3	6.5
BMW	391,814	+1.0	3.3	3.2
Rover	369,740	-5.0	3.1	3.3
Mercedes-Benz	405,567	-3.4	3.4	3.5
Volvo	217,891	+8.6	1.8	1.7
Nissan	367,411	-5.2	3.1	3.2
Toyota	303,743	-2.9	2.5	2.6
Honda	176,159	+4.8	1.5	1.4
Mazda	162,124	-7.7	1.4	1.5
Mitsubishi	127,790	+7.5	1.1	1.0
Total Japanese	1,278,254	-1.8	10.6	10.9
Total Korean	178,849	+68.5	1.5	0.9
MARKETS:				
Germany	3,326,200	+3.6	27.7	26.9
United Kingdom	1,945,400	+1.8	16.2	16.0
France	1,930,500	-2.1	16.1	16.5
Italy	1,704,900	+2.0	14.2	14.0
Spain	824,800	-9.3	0.9	7.6

*VW holds 60.3 per cent and management control of Skoda.
*Includes cars imported from US and sold in western Europe
**GM holds 50 per cent and management control of Saab Automobile.
** Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source : ACEA (European Automobile Manufacturers Association) estimates. Figures are rounded.

Europe's armies start to link arms

Michael Lindemann assesses the prospects for the joint equipment procurement agency agreed by Kohl and Chirac at their meeting last month

When Chancellor Helmut Kohl and President Jacques Chirac agreed to set up a joint procurement agency early last month to oversee arms purchases for Europe's two biggest armies, the event received scant public attention given the concerns about a single European currency and the wave of French strikes which dominated their meeting.

However, the decision is a big step toward ultimately bringing together the armies of the European Union. In the view of a senior Bonn official it will in due course enable both the French and German armies to operate identical equipment and bring even more significant benefits to forces such as the 50,000-strong Eurocorps. The latter, based in Strasbourg, includes units from five EU armies, most still using very different equipment.

The two partners also hope their initiative will develop into tbe European procurement agency, a body which was outlined in the 1992 Maastricbt treaty bnt which has become bogged down in discussions.

While officials in Bonn are quick to point out that the agency will develop only gradually, progress will be watched carefully hy defence ministries across the Union. Several countries have signalled their interest, and two - Britain and Italy - are already knocking at the door and asking what they need to do to enter.

Both have significant defence industries and both are keen to have a say in the shaping of an agency which is likely to play a key role in consolidating European defence capabilities. As one British diplomat pointed out: "It's the only potential European agency which we are asking to join at the moment."

Joining, however, may not be that easy, particularly for Britain. The French were furious last July when Britain decided to spend £2.5bn on US Apache tank-buster helicopters rather tban the Franco-German Tiger.

That decision, and an earlier one in which the British bought US military transport aircraft instead of waiting for the European Future Large Aircraft to be developed, is at odds with what officials in Bonn refer to as "a commitment to the European defence industry". One of the main reasons for creating the agency is to strengthen European defence industries in the face of competition from much larger US companies. "[The agency] should not be operated on a basis where people simply pick out what suits them best," a leading official warned.

By the end of this year, the agency is expected to be employing up to 15 people to pool financial and personnel activities at a host of existing Franco-German projects including the Tiger helicopter, the Hot anti-tank and Roland air-defence missile programmes, and the Brevel remote-piloted reconnaissance drone. The operational offices managing these projects will remain separate entities, however, and it remains unclear when the agency will be empowered to draw up cootracts itself.

However, the agency will very quickly become involved in the first big project it will oversee from hirth: the construction of a new armoured personnel carrier, dubbed GTK in German. It is this project which Britain says will decide its membership of the agency.

Wary of being left out of a big project, Britain has signalled its desire to join the GTK venture bnt wants the vehicle's design to be decided by open competition, offering possibilities for UK defence contractors such as Alvis, GKN and Vickers.

Competition is something the Germans have welcomed, given their defence industry is also a private sector one, hut is a prospect which presents difficulties for the French. While there are several German companies which can make the GTK, France is dependent on one principal supplier, Giat, its near-bankrupt tank manufacturer.

A decision about just how the GTK tender will be structured – and with it a decision ahout whether Britain joins the agency - is expected in the next few months.

Bringing on board new members such as Britain will improve the agency's chances of being given official status within the Western European Union, the 10-memher European defence bloc, sometimes spoken of as the future defence arm of the European Union. An initial attempt hy the French and Germans to secure such status was declined hy the WEU which said it wanted to see how the agency developed.

The process also shed light on other important questions. Does a "commitment" to the European defence industry, for instance, mean that Britain can never again purchase US – or any other non-European – technology?

Another nagging query is how work will be shared out on projects run hy the agency, a problem which has bedevilled Eurofighter, the £32bn project which is years behind schedule partly hecause the four partners – Britain, Germany, Italy and Spain – are still haggling about sharing out the work.

Wary of the problems resulting from Eurofighter, German officials say that "it is not ideal to set exact work shares" for such projects. They favour, instead, creation of a "certain balance" of work done by various partners over a number of projects.

Despite the problems it faces, the agency clearly has the backing of two of the world's biggest armies. And, in Bonn, officials hope that after awarding defence work for years purely on the basis of value for money the British may now be changing in favour of stronger European co-operation.

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EUROPEAN NEWS DIGEST

Papandreou to see president

Greek prime minister Andreas Papandreou has asked Greece's president to visit him in hospital but has given no indication of wanting to resign.

Mr Papandreou's wife, Dimitra, relayed the request after the governing Socialists comfortably defeated a censure motion in parliament.

Mr Papandreou, whose lung and kidney problems are still critical, is expected to meet President Costis Stefanopoulos in the next few days. Analysts speculated that Mr Papandreou would try to avoid being forced out of office by asking for a presidential decree appointing a temporary prime minister to take over his duties for the next few months.

President Stefanopoulos, who has no executive powers, has avoided taking sides in the dispute over replacing Mr Papandreou. A former conservative cabinet minister, he was the Socialists' choice for head of state hut does not have close ties with the prime minister. *Kerin Hope, Athens*

Pension funds look abroad

European pension funds appointed roughly twice as many foreign investment managers last year as they did the year before, according to a study* by investment consultants William M Mercer.

Using data from 165 managers in 15 countries, the study found foreign managers were being selected for asset classes such as Japanese equities, global bonds and emerging markets securities in which continental European investors have had little expertise.

"We have been convinced that the insularity of the investment management marketplace within Europe would have to change," said Ms Julia Hobart, principal with Mercer Investment Consulting. "In 1995 it made a significant leap forward in terms of opening up." The increase in foreign managers reflects the growing diversification of European pension investments, which in many countries have historically been restricted by regulation to domestic equities and bonds.

The survey also found a sharp rise in the number of investment managers who have significant operations in more than one country.

The rise follows significant cross-border merger and acquisition activity in the industry. Of the 165 managers covered, 77 are managing assets for European pension funds outside their home country. Of these, 52 are based in Europe and 25 are non-European and based mainly in theUS. *Norma Cohen, London*

* The European Pension Fund Managers Guide Vols I and II, £600, William M Mercer Ltd, Telford House, 14 Tothill Street, London SW1H 9NB. Tel. 0171-222-9121 ext 3214.

Public sector deal in Portugal

Portugal'a public sector unions agreed yesterday to a 4.25 per cent wage increase in 1996 as part of what the new Socialist government said was an historic agreement.

The accord, expected to be used as a benchmark for private sector wage deals, is based on a government forecast of 3.5 per cent inflation this year, down from an expected 4.1 per cent in 1995. Unions had called for wage increases of 6.5-8 per cent at the start of several weeks of negotiations, against an initial government offer of 3.5 per cent.

A representative of the Communist-led Common Front, one of three public sector union federations, was delaying signing the agreement until it had consulted its members. But a representative said the accord, which includes pension increases of more than 5 per cent and substantial career structure reforms, was the hroadest and best the unions had achieved for 20 years.

The deal is a boost for the government's plans to cut the budget deficit to about 4.2 per cent of gross domestic product in 1996 from 5.6 per cent last year in an effort to meet the European Union's convergence criteria for economic and monetary union. The 1996 budget proposals, delayed by an election last October, are due to be unveiled later this month. *Peter Wise, Lisbon*

Sahlin cleared in credit card row

Sweden's public prosecutor yesterday cleared Ms Mona Sahlin, the former deputy prime minister, of any crime in the row over her private use of government credit cards.

The affair wrecked Ms Sahlin's ambition to succeed Mr Ingvar Carlsson as prime minister this year. The prosecutor said no charges would be brought against Ms Sahlin – or another former junior minister who had been investigated for similar reasons – because she had clearly marked those private expenditures she had made as such on her government credit card bills. In the few cases where she had not done so, it was because of an innocent mistake.

The dropping of any case against her was a relief for Ms Sahlin, but it will not undo the damage the episode caused her hitherto unblemished political career. The revelations about her repeated private use of the cards – and her many delays in repayment – caused surprise among supporters of Sweden's Social Democratic party and forced her to abandon her campaign to succeed Mr Carlsson when he retires in March.

Mr Göran Persson, the finance minister, is to take over instead. Ms Sahlin has no immediate plans to return to the governmen *Hugh Carnegy, Stockholm*

Graf tennis winnings 'paid cash'

Mr Peter Graf, father of German tennis star Steffi Graf, demanded payment in cash for her tournament winnings, a German Tennis Association (DTB) official told a panel probing her tax affairs.

DTB managing director Günter Sanders told a committee of the Baden-Württemberg state parliament that unusually high sums, up to several hundred thousand D-marks, were often handed over to Mr Graf or his advisers in cash or by cheque.

He said payments to players in cash or hy cheqne were not unusual, hut added the large payments of prize-money or appearance fees the Grafs collected in cash were rare.

Mr Graf, 57, has been in investigative custody in a Mannheim prison since last August as part of a tax-evasion investigation. *Reuter, Bonn*

ECONOMIC WATCH

Spanish progress on jobs

Job placements in Spain reached a record 7.56m last year, 27 per cent up on 1994, but trade unions complained that too many new jobs were temporary and demanded measures to ensure more stable employment.

The number of job-seekers registering with the Nstional Employment Institute fell 1.7 per cent in December to 2.38m, or 15.1 per cent of the workforce, compared with 15.4 per cent in November.

The figure was almost 180,000 less than at the end of 1994, with jobless rates coming down in industry, services, construction and agriculture. However, the Communist-led Workers' Commissions union pointed out that many out-of-work Spaniards failed to register. There remains a large discrepancy between the registered monthly figures and Spain's quarterly employment survey, which last showed a jobless rate of 22.7 per cent. Most experts believe the true figure lies somewhere between the two. *David White, Madrid*

■ Thirty-nine per cent of the European Union's citizens believe the economic climate in their countries will deteriorate this year, a survey suggested yesterday. Polling by the European Commission in the last three months of 1995 showed that just 19 per cent expected things to get better. Sixty per cent of French people saw their economy sliding in 1996, compared with 14 per cent who had rising expectations. In Germany, 43 per cent said things would get worse, with 13 per cent expecting an improvement. In the UK, 30 per cent were pessimistic and 20 per cent optimistic. *Reuter, Brussels*

Bonn to cut red tape on investments

By Michael Lindemann in Bonn

The German government yesterday agreed a new law intended to halve the time taken for investments to be approved. The measure is one of several aimed at cutting red tape and making Germany more competitive with other European Union countries where such procedures take less than half as long.

Mr Günter Rexrodt, economics minister, said the environmental standards which govern industrial plants in Germany would not be lowered as a result, hut that the new law would make approval procedures more flexible and quicker.

If an investor building a new chemical plant had assured himself that the emission levels would be lower than those at tha existing plant, construction could begin immediately and the relevant authority would only have to be notified, Mr Rexrodt said.

The approval procedure could then be completed as the plant was being huilt, ensuring that construction did not have to wait until final approval had been given. Such approvals usually taka seven months in Germany, whereas elsewhere in Europe they take only three months, Mr Rexrodt said. The new law still has to pass through parliament.

Among other steps to overhaul a bloated bureaucracy and make Germany more attractive for foreign investors, the government wants to cut the size of the federal civil service by 1 per cent annually.

Mr Jnhannes Lndewig, a state secretary in the Economics Ministry who has overseen the new legislation, warned, however, that the various standards would not be lower as a result.

"The investor must decide whether he wants absolute security or whether time is a more important consideration for him. By opting for the new procedure be obviously takes certain risks," Mr Ludewig said.

While many investments hy hig companies are usually given priority by senior politicians, Mr Ludewig said the new law enabled smaller companies to convene a conference with all the relevant authorities involved in such industrial investments, and thereby speed np the approval procedure.

The opposition Social Democrats (SPD), who control the Bundesrat, criticised the new procedures, saying they did nothing to make the "tangled" regulations in Germany any easier to understand.

"Because authorities cannot approve investments more quickly, the resulting risk now has to be shouldered by the investor," the SPD said.

Berlin debt is last debris of wall

By Judy Dempsey in Berlin

Berlin'a conservative Christian Democrats (CDU) and the Social Democrats (SPD) have retreated to the elegant Japanese-German centre near the city's Tiergarten park in an attempt to put the final touches to a coalition agreement. At stake is a savings package for a city once lavishly subsidised but now running up a prohibitive budget deficit.

Negotiations have dragged on for more than three months since the elections last October when the CDU, with 37.4 per cent of the vote, invited the SPD, which won only 23.6 per cent support, to form a coalition for the second time.

The CDU wanted to keep out a left-wing alliance comprising the SPD, the Greens, and the former communist Party of Democratic Socialism, particularly since the CDU intends to be in power when the federal government moves from Bonn to Berlin hy the end of the decade. But in turn, it has had to convince the SPD to accept deep spending cuts to consolidate the capital's finances.

That is why, failing any last-minute hitch at the Tiergarten, the coalition's second term of office will be markedly different from its first stint in power-sharing. Then, back in 1990, Berliners were still enphoric about the dismantling of the Wall, the prospects of a united city and hopes of fast economic growth.

"It was an unbelievable time," said Mr Peter Kurth, the city'a state secretary for the CDU-run finance committee. "We did not fully realise what unification meant. The city had to he integrated. Over the past 40 years, everything had been duplicated from the transport and gas systems to public administration, theatres, opera houses, art galleries and universities."

The coalition has slowly merged the city, first tackling the infrastructure through marrying the underground network and linking the electricity and gas grids. But Mr Dieter Vesper, public sector specialist at Berlin's DIW economic research institute, believes the city government has wasted time in consolidating its budget. Despite ample warning that subsidies and grants would be cut by 1995 "it slept", he said.

During the days of the cold war, more than half of (west) Berlin's total expenditure was financed by Bonn, with companiea and Berliners enjoying lower taxes and benefits so as to keep west Berlin both as a viable city and capitalist showcase to the east. But these subsidies led to bad habits. "Put simply, there was no pressure to save," added Mr Vesper.

This year, the city government envisages expenditure of DM42.6bn ($29.5bn) but expects revenues of DM33.5bn. Its budget deficit will have risen to DM9.1bn comparsd with DM6.2hn in 1993 and DM3.1hn in 1991 when subsidies were still being poured in. Mr Kurth denies the city government wasted the past five years in terms of controlling expenditure. "Integrating the two parts of the city took more time than we expected. And it cost more."

To complicate the process, the city government could hardly have foreseen the consequences the policies of the Treuhand privatisation agency – and unification itself – would have on the jobs market in both parts of the city.

For example, in the eastern part of the city, whicb has a population of 1.3m, only 33,000 of the original 180,000 industrial jobs exist today after the Treuhand's decision to close many enterprises or restructure them. This pushed pre-unification zero unemployment to 12.4 per cent by last month.

In west Berlin, with a population of 2.1m, the abolition of subsidies and the availability of cheaper land outside the city has forced companies to relocate. The number employed in industry has declined from 175,000 in 1993 to 132,000, pushing unemployment up to 13.3 per cent last month.

Mr Kurth realises that revenues will continue to decline and unemployment tn rise. Despite this, the CDU is determined to push through a savings programme of DM24bn spread over four years.

The scope for savings is considerable. Compared with the west German average of 23.3 public administration employees per 1,000 inhabitants, Berlin has 87.8. "We have 180,000 civil servants. But we have cut more than 25,000 jobs over the past five years. We intend to cut the administration further back, by about 20,000 over the next four years," said Mr Kurth.

The SPD appears to have accepted some of these cuts although it will cost them votes. But the more economically-minded members of the CDU have yet to convince their own party – and the SPD – that the city government should press ahead with privatisation, of the utilities especially, to make them competitive and raise cash.

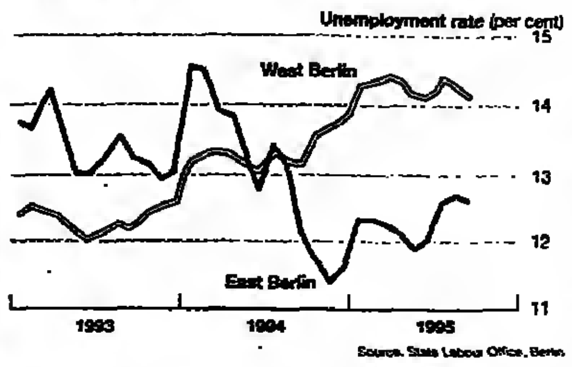
In the past, the city authorities have been reluctant to rednce its majority holdings in the electricity, gas, water and transport companies, in spite of the fact that they are, in most cases, beavily subsidised by the taxpayer wbo must also pay one of the highest prices in Europe for its energy.

"The politics of privatisation is about patronage and political influence," said one official. "But the budget deficit and reduced financial assistance from Bonn is forcing the politicians to finally accept that the free-spending days are over. Berlin is no longer special."

Over 40 years everything had been duplicated: transport, gas systems, public administration, the arts

The wall comes down, hopes rise, but new problems created

July 1990: Uprooted sections of the Berlin Wall lie in what was no-man's land



Split over Hungary's sell-off revenues

By Virginia Marsh in Budapest

The Hungarian privatisation minister, Mr Tamas Suchman, yesterday urged the country's Socialist-led government to use privatisation revenue to fund development projects to revitalise the economy rather than speuding it almost exclusively on paying off state debt, as favoured by the Finance Ministry and the central bank.

Hungary last year raised Ft450bn ($3.3bn) in privatisation revenues – far more than anticipated – after the privatisation agency pulled off several large deals late in the autumn.

Much to Mr Suchman's annoyance, parliament last month passed a private members' amendment to the state budget stipulating that excess funds from privatisation should be used to pay off the debt and that the Finance Ministry and central bank should decide on methods of repayment. At stake is a surplus of some Ft120bn – the amount left after the deduction of the Ft250bn allocated to the 1995 and 1996 budgets and the privatisation agency's expenses and debts of around Ft80bn.

Mr Gyula Horn, the prime minister, urged Socialist MPs to reject the amendment and give the government time to consider the matter. However, some 60 Socialists joined the Free Democrats, the liberal junior coalition partner, and opposition parties in passing the amendment.

Mr Lajos Bokros, finance minister and the main architect of last year's austerity package – widely believed to have been behind the amendment – has come out strongly in favour of repaying debt.

Mr Bokros, supported by the central bank, says the programmes favoured by Mr Suchman would be inflationary and that it is better to reduce Hungary's $32bn debt burden.

Following protests from the party's left-wing and from the trade unions, Mr Horn agreed the government should review its options with a view to reaching a decision this month.

Italian minister defends increase in telephone tariffs

By Andrew Hill in Milan

The Italian government yesterday said it would not withdraw controversial decrees bringing Italy's telephone tariffs in line with other European Union countries.

But Mr Agostino Gambino, Italy's post and telecoms minister, promised Italian deputies he would consult trade unions and parliament before implementing the decrees.

The plan to increase charges for peak-rate local phone calls has triggered a row about public service tariffs in Italy, with the state railways and Alitalia, the state-controlled airline, also coming under fire from consumers after reports that they too were considering price increases.

A similar controversy is going on in Germany over Deutsche Telekom's attempts to alter tariffs.

It emerged yesterday that Mr Karel Van Miert, the European competition commissioner, had written to Mr Gambino before Christmas to remind him that Italy should "rebalance" its telephone tariffs to bring them in line with costs.

The Commission is concerned that telephone companies use high charges in certain areas – for example, international and long-distance calls – to subsidise other tariffs. "Potential competitors are deterred from entering segments of the market where the necessary investment does not guarantee a return," Mr Van Miert said in the letter, sent before the row over tariffs broke out.

EU countries are not obliged to rebalance their telephone tariffs under existing European law, although draft directives contain such an obligation. But Mr Van Miert said in the letter that the approaching deadline of 1998 for full telecoms liberalisation made it necessary to start rebalancing tariffs immediately.

Mr Gambino explained to a parliamentary committee that consultations with unions would focus on the social impact of the tariff changes, which would involve an increase in local peak-rate tariffs and a decrease in the tariffs for many long-distance and international calls. He added that the effect of the changes on inflation would be broadly neutral.

But the unions warned that Mr Gambino was "deluding himself" if he thought that they would simply ratify the decrees.

Implementation of the changes was frozen at the weekend after strong criticism from consumer groups, unions and politicians.

Jet orders pull out of a five-year nosedive

Aerospace manufacturers have built up a bigger backlog of work and fewer aircraft are in desert storage, writes Michael Skapinker

A flurry of jet orders over the past few months has raised hopes that the aircraft manufacturing industry is emerging from its five-year slump.

This week Malaysia Airlines placed an order for 25 Boeing aircraft. Philippine Airlines said this month it planned to buy eight 747 jets from Boeing and 28 aircraft from Airbus Industrie, the European consortium.

These orders follow large sales of aircraft last year to such carriers as Sandia, the Saudi airline, Singapore Airlines and ValuJet, the US budget carrier. Boeing clinched the Singapore deal, McDonnell Douglas of the US won the ValuJet business and the two manufacturers shared the Saudia order.

The optimism should not be exaggerated. Boeing, the market leader, won 346 orders last year. But this compares with the 683 orders the US manufacturer received in 1989 and the 503 it collected in 1990. The industry is also rife with rumours of sharp price-discounting by both aircraft and eogine manufacturers.

WORLD AIRCRAFT INDUSTRY

	Gross orders	Cancellations
1990	1,209	61
1991	478	137
1992	464	155
1993	488	400
1994	392	178
1995	747	103

Source: Airclaims

But aircraft executives and analysts point to several trends which suggest the improvement in manufacturers' fortunes might be sustained. For the first time in five years, in 1995 the numher of orders received hy manufacturers exceeded the number of aircraft delivered to airlines.

This means that manufacturers' backlog – the number of aircraft ordered but still not built or completed – grew rather than shrank last year. As there is a lag of several years between aircraft orders and deliveries, this means manufacturers' factories are assured of work for some time.

In the casa of the Malaysian order for 15 Boeing 777s and 10 Boeing 747-400s, for example, deliveries will begin next year and continue until 2001.

Aviation consultants Airclaims say manufacturers won net orders, after cancellations, of 644 aircraft last year – the highest number since 1990 and more than three times the number in 1994.

By contrast, the number of completed aircraft delivered to airlines last year was, at 487, the lowest since 1987. The low level of deliveries was partly the result of a strike at Boeing but also reflects the small numher of orders placed between 1991 and 1994 and the high number of cancellations. Airclaims says that in 1993, for exampla, airlines placed 488 new orders and cancelled 400 old ones.

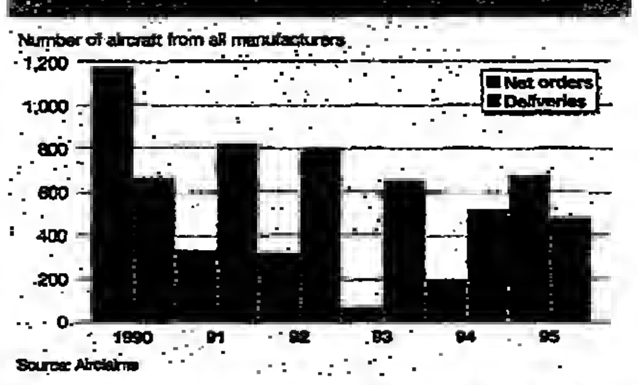
The increase in orders last year meant tha industry's backlog of work grew hy 157 aircraft to 2,031, Airclaims says. This compares with a fall in the backlog in the period 1991 to 1994. While last year'a growth in the order backlog was small compared with 1990, when net orders exceeded deliveries by 476, it is a start.

Mr Chris Avery, an analyst with Paribas Capital Markets, points to another promising trend for the industry: the fall in the number of aircraft stored, unused, in deserts. Mr Avery says that in the early 1990s, when the effect of the Gulf War and the worldwide recession began to be felt, there were more than 1,000 aircraft parked in deserts.

Although many of these were old, brand new aircraft were also being flown directly from manufacturers' factories to desert storage lots. In the past few years, he says, the number of aircraft in desert storage has fallen substantially as they have gone into service with airlines.

At the end of September 1993, there were 774 aircraft in desert storage. By the same time last year, the number had fallen to 582. Mr Avery says the fall in the number of aircraft stored in the desert has been particularly noticeabla in the single-aisle category of jet, with many Airbus A320s and Boeing 757s returning to airline service.

World civil aircraft orders and deliveries



The recovery in aircraft orders is, however, uneven. While several Asian airlines have placed orders recently, US carriers are proving more cantious. Mr Ron Woodard, president of Boeing's commercial aircraft group, said that whila he expected the Asian market to remain strong, US airlines' balance sheets were still to weak for them to huy many aircraft. While US airlines' profits are growing, Mr Woodard thought strong growth in aircraft orders from these carriers would not take place for several years.

WORLD TRADE NEWS DIGEST

Vietnam trebles car import quota

Vietnam has more than trebled its annual quota for imports of cars, trucks and vans hut has left that for motor cycles unchanged, the ministry of industry said yesterday. The sharp increase in the number of vehicle imports is likely to unsettle the 12 foreign manufacturers licensed to assemble and sell vehicles in the country's cramped market.

Hanoi will allow 20,000 four-wheel vehicles to he imported, up from 6,500 last year. Up to 350,000 motorcycles can be imported. The official did not say whether the total for four-wheeled vehicles consisted of finished items, partially assembled kits or both.

Foreign investors say the larger the amount of completed vehicle imports, the more difficult this will make sales of locally assembled units. Production of German BMW saloons at a plant near Ho Chi Minh City, for example, has been as low as one vehicle a day for about the last six months due to sluggish demand.

However, foreign investors are equally concerned that if the quota is mostly for kits and parts, this will be too small to satisfy demand from companies assembling vehicles.

Hanoi says it expects total annual vehicle demand to reach 60,000 hy the year 2000 against industry estimates of 10,000 sold last year. Industry analysts view this as unrealistic, given low Vietnamese incomes. *Jeremy Grant, Hanoi*

Dutch ban leg-hold fur imports

The Netherlands said yesterday it bad become the only member of the European Union to implement a 1991 directive banning the import of fur from animals caugbt in leg-bold traps.

The EU decided late last year to detsy the ban – which was due to take effect on January 1 – for 12 months so efforts could continue to try to devise an international set of rules on animal-trapping standards. But the Dutcb decided to press ahead with implementing the 1991 directive rather than wait.

Fur exporters from the US, Canada and Russia fiercely oppose the ban, which they argue runs counter to World Trade Organisation rules. The Dutch said they were satisfied the ban was legal. "The directive was agreed in 1991 and we're simply going ahead with it," the Dutch agricultural ministry said. Animal rights groups have condemned leg-traps as unnecessarily cruel. *Ronald van de Krol, Amsterdam.*

■ Daewoo Electronics of South Korea is to build a $100m electronics plant in Brazil tn make television sets, video cassette recorders and other goods, including washing machines and refrigerators. *Reuter, Seoul*

■ Ansaldo Trasporti, the Italian state-controlled transport engineering group, and Union Switch & Signal, its US subsidiary, have won a L25bn ($15.68m) contract to supply signalling and automation systems for the new 2,500km Beijing-Kowloon railway. *Andrew Hill, Milan*

■ ZF, the German vehicle parts group, bas set up a joint venture with Guangxi Liuzhou Machinery, the Chinese wheeled loader and hydraulic excavator producer, for the manufacture of powershift transmissions and axles. The DM100m ($70m) venture, in whicb ZF will have 51 per cent, will be located in Liuzhou and make parts for the Chinese partner's machines. *Andrew Baxter, London*

■ Conoco of the US and two Canadian companies, Nova and Canadian Hunter, propose to develop a gasfield in the Burgos Basin in northern Mexico in co-operation with Pemex, the state oil and gas company. *Robert Gibbens, Montreal*

S Korean companies plan big investments in chips

By Paul Taylor

Three South Korean semiconductor manufacturers yesterday announced plans for substantial new investments, continuing the surge in capital spending by the world's leading chip makers.

LG Semicon, part of the LG Group, said it planned to increase capital investment to Won2,700bn ($3.4bn) this year, up from Won2,000bn in 1995.

Hyundai Electronics Industries part of the Hyundai Group said its capital investment this year would be just over Won1,000bn almost unchanged from last year's, but analysts and industry sources said the final amount was likely to be closer to Won2,000bn.

Earlier, Samsung Electronics, announced plans to invest Won2,800bn this year expanding production capacity, mainly for 16-megabit dynamic random access memory (D-Rams) chips, compared with Won1,800 in 1995.

The three companies are South Korea's largest chipmakers and Samsung is the world's largest manufacturer of D-Rams. Their investment plans defy predictions of a looming glut in world chip supply which have hit shares of Samsung, the only listed company of the big three.

All three companies said yesterday that they were optimistic about the electronics industry's future and described the recent fears as exaggerated.

"We are optimistic. There is still plenty of room for global chip demand to grow for a considerable period," said Samsung. Most industry analysts agree, saying they see little evidence to back worries of oversupply. They also note that South Korean chip makers could make profits even if chip prices fall by as much as 20 per cent this year.

World semiconductor sales surged to $155bn in 1995, up 40 per cent over the previous year, according to preliminary figures released earlier this week by Dataquest, the US market research group.

Strong demand from the personal computer industry is driving the growth. Analysts believe the global demand for memory chips will be further boosted by the spreading popularity of memory-hungry multimedia software that requires powerful personal computers, and by growing demand for semiconductor devices outside the electronics industry.

UK juice makers win EU orange tariff concession

By Deborah Hargreaves

Tha European Commission yesterday decided to extend tariff-free status to imports of oranges until the end of March following pressure from British juice processors. The tariff-free imports are destined for a small but highly lucrative part of the Britisb orange juice market which accounts for sales of £12m ($18.5m) a year.

But tha juice processors say the tariff-free status will cover their needs of 12,000 tonnes for this year only and are still pressing the Commission to remove tariffs over a longer period. "This solves our short-term problem, but we need a derogation from Gatt rules to protect the industry over the long term," said Mr Bill Marlow, an industry representative.

Four processors which provide freshly squeezed juice in small bottles account for around 5 per cent of the overall UK market. They require late Valencia oranges for flavour and quality which are normally imported from Spain.

The late Valencia oranges do not contain limonin, a substance found in the pips of other oranges which can make the squeezed juice bitter after about one hour.

However, these oranges are not available in Europe between December and April and have to be imported from snch countries as Cuba, Jamaica and South Africa. Under the terms of the General Agreement on Tariffs and Trade deal, oranges imported from outside the EU are subject to tariffs.

"It seems this was a slip-up when the Gatt deal was done and the special needs of the industry were just left out," said Lord Plumb, leader of the Conservatives in the European Parliament. He warned that orange juice prices would rise by 20 per cent if tariffs were not removed.

Britain is the second largest consumer of orange juice – after Germany – in the EU. The 600m-litre market is worth around £800m of which about 60 per cent is long-life juice. The remainder is freshly squeezed juice from Florida, which is processed in a different way from the premium end of the market which uses Valencie oranges. There are very few other markets in the EU for packaged, freshly squeezed juice although a small part is sold in the Netherlands.

Win for Hashimoto lands him in power battle with ruthless strategist Ozawa

Japan stage set for clash of the Shoguns

By William Dawkins in Tokyo

Japan's new prime minister, Mr Ryutaro Hashimoto, turned pale and broke into a sweat under the stony gaze of his chief rival, Mr Ichiro Ozawa, in the Japanese parliament yesterday.

The tension between the two carried an important message. Japan's formerly fragmented politics was yesterday simplified into a straight duel between them and, for the first time in recent history, between two distinct sets of policies.

The nervousness of Mr Hashimoto, better known as a fearless international trade negotiator, is understandable. Victory in yesterday's parliamentary vote lands him in an open power battle with Mr Ozawa, recently elected president of the opposition New Frontier party, who has promised to stop at nothing to bring Mr Hashimoto down.

As the results were declared, an impassive Mr Ozawa, a ruthless political strategist, bowed towards his foe, with a slightly sinister smile. Previously, Japanese politics had more to do with personality battles of this kind than with policies, the domain of bureaucrats.

But now, economic analysts in Tokyo believe, the change of leader, from the ineffective Mr Tomiichi Murayama and his performance against the opposition, may bring more political influence to bear on government.

This is unlikely to prompt immediate change to the previous government's economic policies of low interest rates and high public spending. But the Hashimoto-Ozawa fight, and thus the importance of their ideas, will intensify as they move towards a general election, possibly in the next six months, as demanded by business lobbies, trade unions and the media.

A new single-seat parliamentary electoral system, to replace the old multi-seat system, adds to the pressure on politicians to woo support with ideas rather than patronage.

The two shoguns' ideas, outlined over the past month in Mr Hashimoto's policy accord with his coalition partners and Mr Ozawa's campaign for leadership of the opposition, differ most clearly on the economy.

Mr Hashimoto advocates classical Keynesian pump-priming prescriptions in line with LDP policy since the 1950s, while Mr Ozawa goes for a supply side policy, based on tax reform and economic deregulation.

On that basis, economic analysts at Salomon Brothers and J P Morgan in Tokyo believe that a long-lasting Hashimoto administration would mean continued caution on deregulation, with higher government borrowing, a return to inflation and a consequent fall in bond prices. Yesterday's 1.1 per cent fall in Tokyo share prices was seen more as a reflection of Wall Street's price decline than as a judgment on Mr Hashimoto.

An Ozawa administration, by contrast, would go for faster deregulation, tax reform and tighter control over the budget deficit. That would reduce business costs, to the benefit of large, mostly quoted, companies able to increase profits at the expense of weaker competitors. It could also support bond prices.

Mr Hashimoto's policies are explained in his book, A Vision of Japan: A Realistic Direction for the 21st Century. There, he calls for a "substantial" increase in publicly-funded infrastructure spending over the next decade, to bring Japan's overcrowded roads and cities up to the same standard as other industrialised nations.

He is also, true to LDP tradition, a believer in only the gentlest of changes to the economic status quo. The ruling coalition's policy accord, achieved early this week, contains no reference to deregulation, seen as vital by Japan's leading companies as a means to reduce their high costs and stimulate medium-term growth, but feared by small businesses as a threat to their existence.

In his book, Mr Hashimoto voices concern about the initial loss of jobs that deregulation would bring, in line with the LDP sensitivity to its powerful retailing and agricultural constituencies. He also stresses the rise in unemployment and loss of economic power risked by a rise in imports, echoing Mr Hashimoto's legendary toughness against foreign trade pressure.

Mr Ozawa's economic recipes are radical by contrast. However, his shortage of ministerial experience, with one cabinet post under his belt compared with Mr Hashimoto's four, invites questions over his ability to carry out his programme if he were to win a general election.

Like Mr Hashimoto, the opposition leader believes in an increase in public spending, but only for five years, to provide jobs while economic deregulation is carried out, as explained in a manifesto for his election as NFP leader last month.

Mr Ozawa's policy plan calls for a tax system overhaul, to stimulate consumption and increase the share of tax revenues derived from indirect levies, needed to compensate for the erosion of the income tax base by a fast-ageing demographic profile.

The top income tax rate should be halved to 25 per cent and the corporate tax rate cut by five percentage points to 45 per cent, Mr Ozawa suggests.

This would be funded by a rise in sales tax from the present 3 per cent to 10 per cent 10 years after the completion of his public spending programme.

Mr Hashimoto also supports a rise in sales tax, but no more than that already planned, up by two percentage points to 5 per cent from April 1997.

Most people are betting that the LDP's policies will prevail for the time being. While a general election may not be many months away, the LDP leads the opposition in the opinion polls, by 43 per cent to the NFP's 19 per cent, according to a newspaper survey just before Christmas.

Mr Ozawa will have to wreak fearful damage on Mr Hashimoto, as he plans to do by exposing the new prime minister's part in the unpopular use of public money for the liquidation of collapsed housing loan companies, if he is to close the gap.

But whatever the outcome, the Hashimoto-Ozawa battle will be the dominant theme of Japanese politics for the foreseeable future. The chaotic coalitions that succeeded the LDP's fall from power two-and-a-half years ago – precipitated by Mr Ozawa – are now giving way to clearer two-way debate.

JAPAN'S NEW CABINET LINEUP

Position	Name	Age	Party
Prime minister	Ryutaro Hashimoto	58	LDP
Deputy PM, finance	Wataru Kubo	66	SDP
Foreign	Yukihiko Ikeda	58	LDP
Trade and industry	Shumpei Tsukahara	48	LDP
Justice	Ritsuko Nagao*	62	Non-MP
Construction	Eiichi Nakao	65	LDP
Transport	Yoshiyuki Kamei	59	LDP
Posts and telecoms	Ichiro Hino	61	SDP
Labour	Takenobu Nagai	55	SDP
Education	Mikio Okuda	67	LDP
Agriculture	Ichizo Ohara	71	LDP
Health and welfare	Naoto Kan	49	NHP
Home affairs	Hiroyuki Kurata	57	LDP
Environment	Sukio Iwatare	68	SDP
Chief cabinet sec	Seiroku Kajiyama	69	LDP
Management & co-ord	Sekisuke Nakanishi	69	SDP
Defence	Hideo Usui	57	LDP
Science and technology	Hidenao Nakagawa	51	LDP
Economic planning	Shusei Tanaka	55	NHP
Hokkaido and Okinawa	Saburo Okabe	69	LDP
Land Agency	Kazumi Suzuki	66	SDP

LDP = Liberal Democratic party. SDP = Social Democratic party. NHP = New Harbinger party (Sakigake).
*Ritsuko Nagao, justice minister, is not a member of the Diet and is the only woman in the cabinet. Source: Kyodo

Ryutaro Hashimoto is chosen as Japan's prime minister Reuter

Role in home loan crisis set to haunt PM

By Gerard Baker in Tokyo

The first and toughest challenge for Mr Ryutaro Hashimoto, Japan's new prime minister, is to persuade a hostile public and a sceptical parliament to endorse the government's plan, announced last month, to spend Y685bn (£4.2bn) on bailing out the country's bankrupt housing loan companies.

His task will be further complicated by opposition attempts to blame him personally for his involvement in the circumstances that led to the collapse of those companies under a pile of non-performing loans.

The government has said those in office who failed to prevent the *jusen*, as the mortgage lenders are called, from piling up their bad loans in the first place will be pursued and forced to take responsibility. Some of that blame seems certain to come uncomfortably close to the prime minister's door.

The allegations against Mr Hashimoto stem from his time as finance minister between 1989 and 1991. When he took office the "bubble" economy was nearing its peak, with land and equity prices soaring. Though most Japanese had enjoyed the sense of prosperity it had given them, some officials in the finance ministry and the Bank of Japan, the central bank, were starting to express open concern. In the face of protests by Mr Hashimoto, the bank raised interest rates in December 1989.

The principal worry was about the explosion of lending by banks and other financial institutions to highly speculative property projects. Throughout the second half of the 1980s, banks' property lending had increased at double digit rates annually, but in 1989 it reached a frenzy, growing by more than 30 per cent.

In March 1990, Mr Hashimoto and his officials issued instructions to banks to curb their lending – they were required to keep the increase in property-related loans below the overall increase in their total lending. The move had an immediate impact on banks' balance sheets. In 1990 the pace of real estate loan growth slowed to 3.9 per cent, and cooled rapidly in the next few years.

But, what is remarkable, the instruction did not apply to all categories of lender. The most notable and most surprising omission were the *jusen*. These companies had been established by the banks in the early 1970s as vehicles for lending in the growing housing market. By the mid-1980s they were deeply embroiled in speculative lending.

The failure to include them in the ministry's instruction was a serious error. In the following year, while banks were cooling off their own lending to the property market, the *jusen* kept adding fuel to the flames. Their lending increased in 1990 alone by 22 per cent, or another Y2,100bn. In less than three years their total exposure to the property market had doubled.

The finance ministry argues that it had implicitly included the *jusen* in the instruction because, in issuing guidance to the banks, it had also told them to curtail lending through their subsidiaries. But ministry officials acknowledge that the instruction could have been more explicit.

In fact the suspicion is that the *jusen* were simply used by some of the banks to continue the risky lending as a way round the ministry's strictures.

Whatever was intended, in that period, the seeds of the *jusen* collapses were well sown. Land prices began falling in 1991 and financial institutions' bad debts began to pile up – most heavily on the *jusen*.

But also damaging for Mr Hashimoto is that still no serious attempt was made to address the problem until after he had left office. It was not until November of that year, two months after Mr Hashimoto's resignation to take responsibility for a series of stock market and banking scandals, that the first real attempt to reconstruct the sagging companies was implemented.

Some blame for the loans crisis seems certain to come close to the premier's door

Mr Hashimoto's defenders will argue that his responsibility is no greater than those of other finance ministers. Several before him have been attacked for allowing the bubble economy to inflate, and his successors failed to tackle the *jusen* issue effectively until it was too late.

Other ministries will also come under fire for their failure to deal with the problem, most notably the agriculture ministry, which failed to stop the farmers' co-operatives lending to the *jusen* after other financial institutions had desisted.

But the difference is that none of those other officials and politicians is about to become prime minister. The government's promise that all those responsible will be held to account is an acute embarrassment only to those who hold high office. And there is now none higher than Mr Hashimoto.

This week, the popular news magazines have begun their own witch-hunt for the culprits. With customary hyperbole they have published lists of those they call "Class A war criminals" in the *jusen* debacle. It is, of course, Mr Hashimoto who tops every list.

New premier may put imprint on US links

By Jurek Martin in Washington

The relationship with Japan may be the most important in the US foreign policy firmament, but a long line of Japanese prime ministers in the last 35 years has rarely placed much of an imprint on it.

The tough positions that Mr Ryutaro Hashimoto, as minister for international trade and industry, took in car trade talks with the US last year has suggested to some on both sides of the Pacific he may prove an exception.

But US policymakers, who have had to deal with no fewer than eight prime ministers in the past eight years, are more impressed by his political lineage inside the Liberal Democratic party, traditionally associated with strong ties with Washington.

Mr Walter Mondale, ambassador in Tokyo, said on US television on Wednesday that Mr Hashimoto is "tough and speaks up for Japan, but is a strong friend of the US relationship; when he makes a bargain he lives up to it".

The new prime minister might be of a new generation of Japanese politicians but was also "an old hand", with 33 years' service in the Diet. The same characteristics applied to Mr Hashimoto's great political rival, Mr Ichiro Ozawa, now opposition leader but also from the LDP school of politics.

Comparisons are freely made in Washington between Mr Hashimoto and Mr Yasuhiro Nakasone, prime minister in 1982-87, both relatively outspoken by traditional Japanese political standards and both as a result, far from popular with their domestic political peers.

The US sees Mr Nakasone's merit as that he tried to put Japan on the international political map, invariably in support of US interests and policies. Similarly, Mr Hashimoto, when finance minister in 1991, took an initiative welcomed in Washington in obtaining approval for the $9bn Japanese contribution to help underwrite Gulf War costs.

Mr Nakasone was also receptive to US pressure to open the Japanese market, but not always successful in implementing change. The same hope attaches to Mr Hashimoto, but with the realisation that his main challenge, reinvigorating the Japanese economy, is different.

Mr Hashimoto heads a government whose natural order has been restored with the departure of Mr Tomiichi Murayama, the socialist leader dependent on his party's old adversary, the LDP. Recent weak coalition governments in Tokyo have irritated the US.

LDP's return to power leaves voters bewildered

By Michiyo Nakamoto in Tokyo

Like an irritant that refuses to go away, Japan's Liberal Democratic party resurfaced in the top seat of government yesterday as a bewildered Japanese public asked itself how it had all happened.

Just two-and-a-half years ago, the LDP, which had governed Japan uninterruptedly for nearly four decades, had been voted out by a disgruntled electorate and replaced with a coalition united only in its opposition to the Liberal Democrats.

It was an historic event that seemed to usher in a new era in Japanese politics.

In the summer of 1993, following the defection of dozens of disaffected members and finding itself in opposition for the first time in 38 years, the LDP was pronounced in the throes of extinction. "A bloated organisation is falling down with a crash," wrote Aera, a widely-read weekly magazine.

Mr Kaoru Yosano, an LDP parliamentarian, noted at the time that his colleagues were worried that by the time they start to think about becoming ministers, "the LDP may already have ceased to exist".

Rejection of the LDP at the ballot box was greeted as an unambiguous sign that voters wanted change. Fed up with factional struggles and the backroom deals that marked the LDP, the public believed that by voting for a new set of liberal conservatives they were ushering in an age of open, responsible government in which policy really mattered.

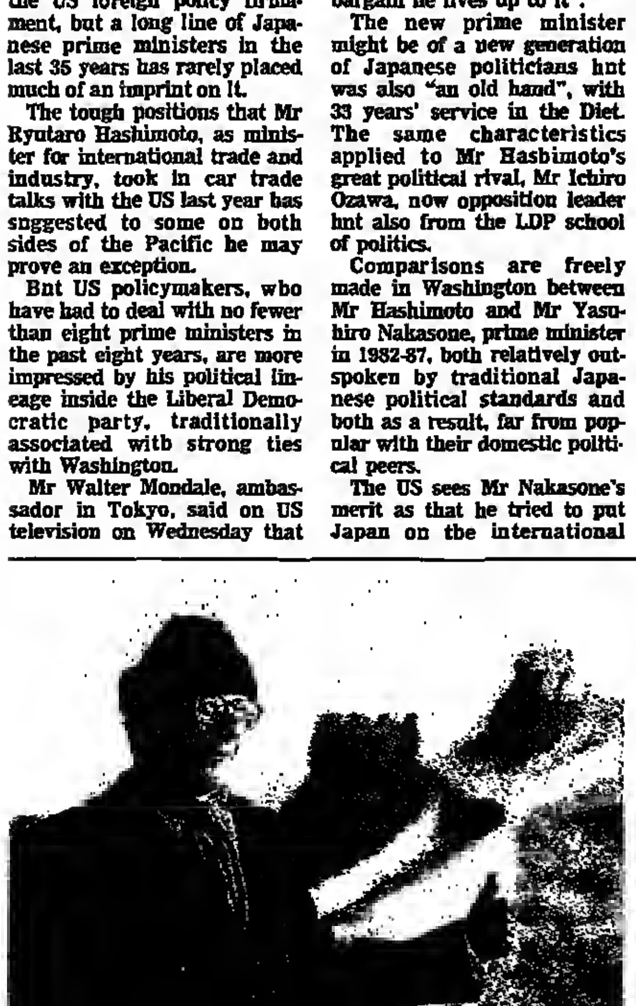
Never mind that the new conservatives were LDP defectors, they were younger and assumed a modern and more straightforward style.

Meanwhile, the LDP, discounted by the media as an anachronism, dejected but determined to return to power, went through an agonised period of soul-searching.

It was not allowed much time for self-examination. Before any transformation of old-style LDP politics could begin, the party found itself back in power in an improbable coalition with its long-time opponent, the Social Democratic party.

What is more, the socialists' willingness to throw to the winds everything they stood for and embrace the Liberal Democratic agenda gave the LDP a perfect chance to reassert itself with a vengeance. The rise of Mr Ryutaro Hashimoto to be LDP prime minister brings the party full circle.

Yet, the return of the LDP was a result of circumstance rather than public choice, and resigned as they are to politics as usual, many Japanese cannot shake off a nagging feeling that they have been duped.



Malcolm Rifkind visiting the Great Wall of China yesterday Reuter

Rifkind hails Beijing meetings

By Tony Walker in Beijing and Bruce Clark in London

Mr Malcolm Rifkind, UK foreign secretary, yesterday hailed as "very positive" his three days of talks in Beijing with Chinese leaders, including a meeting with President Jiang Zemin.

But sharp differences remain over such issues as China's plan to dissolve Hong Kong's legislative council after Beijing takes over the territory in 1997. The two sides are also at odds over Governor Chris Patten's role in the transition.

Mr Rifkind said yesterday that despite differences, his meetings with Chinese officials had helped set the stage for a further improvement in Sino-British relations, particularly over Hong Kong. "There is a desire on both sides to look to the future rather than look back," he said.

In a speech in Edinburgh today, devoted to UK relations with east Asia, Mr Rifkind will commit himself to a "firm and sustained dialogue" with Beijing over humanitarian issues, which would stress the desire of many countries for substantial improvements in China's human rights record.

But he will also stress the huge potential importance of commercial links with China, and welcome the fact that during his visit, Chinese leaders went out of their way to assure him of their commitment to Hong Kong's autonomy.

China has said the territory's Legislative Council will cease to exist after the 1997 takeover. It has also refused to talk to Mr Patten since he unveiled proposals in 1992 to extend the democratic privileges of Hong Kong citizens.

Mr Rifkind said he was satisfied with his discussions on such vexed issues as the further expansion of Hong Kong's port.

China had delayed approval for the construction of extra container facilities because of its objection to the involvement of Jardine Matheson, the trading company which has backed Mr Patten's democratic reforms.

Mr Rifkind said companies engaged in the project were reviewing the composition of the consortium formed to build Container Terminal 9, but he would not be drawn on details.

The foreign secretary received a sharp rebuff over his request that China reconsider its decision to disband the 60-seat LegCo. Mr Chen Jian, China's foreign ministry spokesman, said the decision was "non-negotiable".

He also appeared to discount the possibility of a renewed dialogue with Mr Patten, saying: "The return of Hong Kong is a matter for the Chinese and British governments; parties involved in any talks should be China and Britain."

President Jiang Zemin assured Mr Rifkind that China would grant Hong Kong a "high degree of autonomy". "We are full of confidence about the long-term prosperity and stability of Hong Kong," he declared.

In today's speech, the foreign secretary will underline the growing importance for Britain of both China and Japan, a country recently visited by Mr Michael Portillo, the defence secretary.

But he will also argue that Britain still needs to be "at the heart of the debate" over Europe in order to pursue these and other global interests successfully.

Simon Holberton adds from Hong Kong: Hong Kong's transfer to China next year will be a great success, Mr George Bush, the former US president, told an audience of Hong Kong business leaders last night.

"China will show the world," Mr Bush said in what was the most optimistic assessment of the transition in years. His upbeat prediction comes at a time when the tone of British government comment on the handover has turned negative.

Mr Bush was obliquely critical of British policy towards Hong Kong, observing: "You don't have to create an idealised western democracy overnight".

ASIA-PACIFIC NEWS DIGEST

Singapore push for 'first league'

Singapore yesterday outlined plans to pursue an aggressive regional investment programme as part of a broader strategy to join the "first league" of developed nations by the year 2000. The city-state, officially classified as a developed country this month, maintained its ranking as the fifth biggest investor in China last year, and was second in Thailand and Burma. According to figures released by the Economic Development Board (EDB), the agency overseeing the "regionalisation" thrust, approved Singapore investments in China totalled US$1.6bn in the six months to last June.

Singapore has jumped to the eighth largest investor in India, with $80m in investments in the same period, the EDB said. The EDB was poised for more co-investments with multinational companies in the region this year, while continuing to assist outward-bound home-grown companies through tax incentives, capital infusions and investment guarantee schemes. Mr Chua Taik Him, director of international business development, said the regionalisation afforts were growing in tandem with domestic investments, Allaying earlier fears that the outflow of capital would result in "hollowing out" of the local economy. *Reuter, Singapore*

HK 'has greater freedom'

Citizens of Hong Kong have greater freedom to engage in economic activities than the citizens of any other country, according to a study by 11 free-market think tanks around the world. The study involved compiling an index of economic freedom from 17 components. These include the ability to hold foreign currency, capital mobility, marginal tax rates, inflation variability and the extent of subsidies and transfer payments.

After Hong Kong, the next most "free" countries are New Zealand, Singapore, the US, Switzerland and the UK, based on the average value of their freedom indices between 1993 and 1995. The least free are Somalia, Zaire, Iran and Algeria. The authors argue that those countries which rank highly in terms of economic freedom tend to enjoy stronger economic growth than those further down the scale. The study also shows the average index for economic freedom across the world has risen in recent years. *Robert Chote, Economics Editor*

Economic freedom of the world 1975-95; James Gwartney et al, Institute Economic Affairs, 2 Lord North St, London SW1

Australian jobless figures dent interest rate hopes

By Nikki Tait in Sydney

Prospects of an early interest rate cut in Australia receded yesterday after December employment data showed the country's jobless rate fell to 8.1 per cent from 8.6 per cent in the previous month. This is the lowest level enjoyed by Australia since December 1990, and the fall in the number of unemployed (52,300) was the largest on record.

The estimate of total employment rose by 4,900 during the month, following a 112,100 increase in November. The labour market improvement was much stronger than private-sector economists had been forecasting. Many had expected a fall of around 50,000 jobs.

"Together with recent relatively buoyant indicators of domestic demand, [the data] suggests economic conditions in Australia are stronger than previously expected," Société Générale Australia said. The sharp drop is a plus for the federal government, which must go to polls in the first half of this year. Although some forecasters warned about statistical aberrations and suggested that the unemployment rate would probably rise slightly in the next couple of months, yesterday's jobs numbers were generally seen as an indication of a stronger-than-expected economy.

Minsters were quick to seize on the numbers. "This unemployment rate... confirms the strength of the government policies over the last three years, where we've now seen 740,000 jobs created and our election commitment was for 500,000 jobs," said Mr Simon Crean, federal employment minister. However, economists generally concurred that any chance of a pre-election interest rate cut – which would be popular among mortgage-paying voters – had now virtually disappeared

NEWS: THE AMERICAS

São Paulo's top bank reverts to state control

By Angus Foster in São Paulo

The Brazilian state of São Paulo yesterday won the right to take back control of its largest bank, Banespa, after the central government gave up hopes of seeing the troubled institution privatised.

Banespa, which has been under central bank administration since December 1994 because of liquidity problems, will revert to state government control once a complex restructuring programme is approved by the federal and state legislatures. Approval could take a couple of months to finalise but is expected to be granted.

São Paulo's Governor Mário Covas, a close ally of President Fernando Henrique Cardoso, said the agreement was "the best solution to a number of problems" related to the bank. Mr Covas had refused to bow to demands to sell the bank, claiming it remained viable in the public sector.

But private sector bankers were unhappy with the accord, believing the links between politicians and state banks continue to threaten the banking system's health. The agreement, which represented a defeat for the central bank, also triggered rumours of dissatisfaction among its senior directors.

Under the agreement, São Paulo will swap about half the Reals 15.1bn ($15.6bn) debt it owes to Banespa for new federal debt issued by the national treasury, which carries a longer maturity and lower interest rates. The other half will be paid off with money raised from transferring three airports and São Paulo's railway system to the federal government. São Paolo will also assume part of Banespa's pension liabilities.

São Paulo will offer 51 per cent of Banespa's shares and the state's value added tax receipts as guarantees for the federal debt. The state must also install and maintain professional management in the bank and streamline it to compete with the private sector. For example, Banespa is widely viewed as being overstaffed, partly with political appointees, and having an excessive branch network.

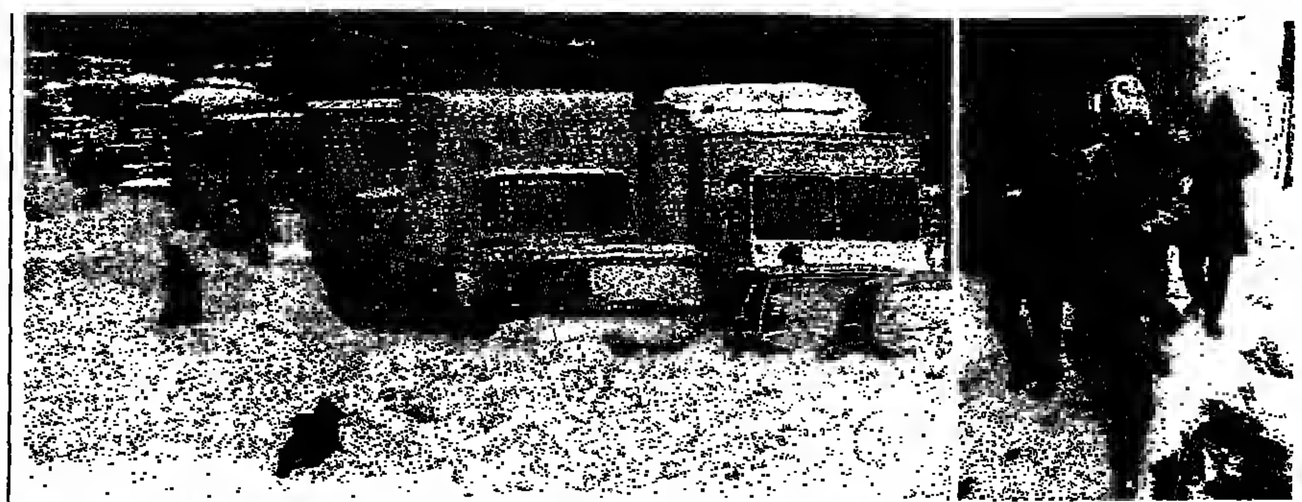
Mr Covas admitted the agreement could not prevent his successor using the bank for political ends, as happened with his two predecessors, which triggered many of the bank's problems. "That's democracy. If people make the wrong choice at elections, they pay," he said.

Private sector bankers are dismayed at the decision

The cost of the deal to São Paulo will be about R$63m a month in the first year. This includes about R$40m of interest and debt costs on the newly issued federal debt, and about R$23m in assumed pension liabilities. The debt cost will rise over the period of the 30-year paper to reach R$50m a month in the final year.

São Paulo will receive R$3.6bn immediately from the transfer of its railway system, known as Fepasa, although this total is subject to review.

The central government is preparing the rest of the country's rail network for privatisation and believes it can sell Fepasa more effectively. However, the network is a heavy loss-maker and will take time to prepare for sale.



Clearing up in Manhattan (left) after heavy snow storms wreaked havoc across the eastern US Reuter

Blizzards in US could cost insurers less than $1bn

By Ralph Atkins, Insurance Correspondent

Blizzards which have paralysed large parts of the US in recent days may cost insurers less than $1bn, according to preliminary estimates by industry experts.

The snow storms have been blamed for at least 100 deaths and forced most schools and businesses in affected areas to remain closed until Tuesday, paralysing airports, trains, buses and cars.

Mr Jim Welsh, senior claim consultant at Property Claims Services, the US insurance information organisation, said yesterday that the severe weather was likely to amount to "a moderate level catastrophe" for insurers, provided there is no fresh outbreak of blizzards on a bigger scale.

Although accurate figures would not become available for some weeks, Mr Welsh said insured losses were likely to be lower than those caused by violent snowstorms in 1993 which hit 20 states and cost $1.75bn.

Losses are likely to have been moderated because the snow has been light and powdery, resulting in less damage than is caused by heavy, wet snow. The 1993 storms, which ranked as the US's fifth most costly catastrophe, were also accompanied by high winds and coastal flooding.

Nevertheless, some 17 states from Indiana to the US east coast and north to New England have been badly hit by snow storms this month. Damage has been caused by collapsed roofs and burst pipes. More detailed estimates are expected from PCS next week.

The relatively light losses will be spread across a number of insurers in the US and overseas, including in the UK, limiting the overall burden borne by individual groups.

Many federal government workers returned to work through Washington's slush-filled streets yesterday after a three-day snow-enforced absence prolonged the three-week politically inspired partial government shutdown.

The capital's subway system operated shortened trains, with a third of carriages reportedly still being dug out of snow-buried yards.

Philadelphia schools were closed for the fourth consecutive day yesterday and most Boston schools were still closed. Weather forecasters warned that more snow appeared to be on the way.

Fresh blow to Argentina's ruling party

By David Pilling in Buenos Aires

Argentina's governing Peronist party received a fresh blow yesterday when the high-profile and popular Mr Gustavo Beliz, former interior minister under President Carlos Menem, quit the party.

Mr Beliz, for several weeks involved in a bitter public argument with Peronist officials over the party's selection of a candidate for mayoral elections in the federal capital of Buenos Aires, said he would not join another political group but would seek to rally independent supporters.

Mr Beliz, a close ally of Mr Domingo Cavallo, economy minister, was blocked by the traditional wing of the Peronist party from becoming its mayoral candidate. Mr Beliz's support for Mr Cavallo and his often truculent attacks against corruption lost him favour with many of the Peronist old guard who are suspicious of the neo-liberal policies being orchestrated by the economy ministry.

The position of Buenos Aires mayor, to be elected by popular vote for the first time, will be one of the most powerful in the country.

Speculation had been rife that Mr Beliz would join the Frepaso centre-left alliance, whose two main leaders Mr José Octavio Bordón and Mr Carlos "Chacho" Alvarez are also Peronist defectors. But his transfer to the alliance was effectively stopped by Mr Alvarez, who said Mr Beliz could not become Frepaso's mayoral candidate either.

Mr Beliz had little option but to leave the Peronist party, whose control of political institutions is almost unchallenged, after he launched a fierce attack against Mr Menem for failing to convoke mayoral elections in 1995 as foreseen in the new constitution. He accused the Peronists, who are not likely to win the mayorship in the middle-class-dominated federal capital, of deliberately stalling the electoral process and of cheating the population of its constitutional rights.

Mr Eduardo Bauzá, cabinet chief, said Mr Beliz's departure would not affect the Peronist party. But Mr Beliz's parting words, indicating that he did not want a country run by corrupt officials and drug traffickers, are likely further to sully the already tarnished image of the governing party.

Governor's package includes a 15% cut in personal and business taxes for Californians

Wilson woos voters with budget sweetener

By Christopher Parkes in Los Angeles

Californians have been offered a 15 per cent cut in personal and business taxes as a sweetener in an unexpectedly expansive 1996-97 budget package unveiled by Governor Pete Wilson.

Drawing on last year's surprise $1bn surplus from revenues garnered thanks to the strong economic recovery, Mr Wilson proposed an immediate redistribution of $500m in this year's tranche of his three-year plan to bolster enterprise and private consumption through reduced state taxes.

He claimed his project, which includes extra incentives to bolster specific industries including computers and biotechnology, would cut the total tax burden by $11bn by the end of the decade.

However, plans to cut welfare payments and environmental protection budgets, and increase spending on prisons by almost 11 per cent while education is offered a rise of less than 5 per cent, are likely to stir resistance and delay approval by the state government.

Even Mr Wilson's tax concessions came under immediate fire from Democrats aggrieved at his continued attack on the welfare system, which has already suffered cumulative cuts of some 20 per cent in his five previous budgets.

But he defended his proposals, which included $8bn in bond issues for building more prisons, education facilities and environmental projects, as a reflection of California's principal concerns: public safety, public education and improving the business climate.

Despite his apparently lavish mood, Mr Wilson's $61.5bn package represented a relatively modest spending increase of only 2.4 per cent over 1995-96.

Educationalists, accustomed to being squeezed, welcomed a proposal to freeze university tuition fees and raise spending on higher education by 4.5 per cent to $6.5bn.

The 3.3 per cent increase proposed for spending on junior schools was criticised as adequate only to maintain current standards, already eroded by previous spending squeezes.

The governor's proposal for a $3bn bond issue to finance school and university building is expected to be one of the few elements approved without a dour battle. More dissent can be expected over his request to raise $2.2bn to build six new state prisons, which has already been rejected in the past two budgets.

Expenditure on adult jails has already increased more than 15 per cent since the state's policy of imprisoning three-time criminal offenders for 25 years to life was introduced two years ago.

NEWS: INTERNATIONAL

S Africa may ease exchange controls

By Roger Matthews in Johannesburg

Sustained capital inflows to South Africa last year and tha Reserve Bank's announcement of a strong improvement in gross foreign reserves in December have heightened speculation that a further relaxation of exchange controls is likely within the next two months.

The December figure showed gross foreign currency and gold reaerves had risen to R15.68bn ($4.3bn), an increase of R2.24bn over the previous month.

Although this represents only a little more than aix weeks imports, the elimination of short-term foreign liabilities during the final quarter of last year suggests that the reserves will continue to strengthen.

Mr Chris Stals, governor of the Reserve Bank, said the December figure was even better than it appeared because of seasonal factors which normally saw reserves dip as investors repatriated dividends and profits.

Mr Stals and Mr Chris Liebenberg, minister of finance, are due to meet shortly to discuss macro-economic strategy before the March 13 bodget, heightening speculation that the easing of foreign exchange controls is high on the agenda.

The government last year announced the abolition of the financial rand, the two-tier currency system used to block foreign capital outflows, five days before the introduction of a March budget committed to a reduction in the fiscal deficit.

Although Mr Liebenberg has said that the government may narrowly fail to hit the deficit target of 5.8 per cent of gross domestic product, he is likely to announce a more ambitious objective in the next financial year, perhaps as low as 5 per cent of GDP.

The two most likely beneficiaries when exchange controls are further eased are Sooth African institutional investors, which manage an estimated R500bn, and those companies seeking investment opportunities in the country's neighbours.

Last July Mr Stals allowed insurance companies, pension funds and unit trusts to invest a portion of their assets overseas through "asset swaps" with foreign companies, and said that eventual permission for cash allocations would depend on the level of overall reserves.

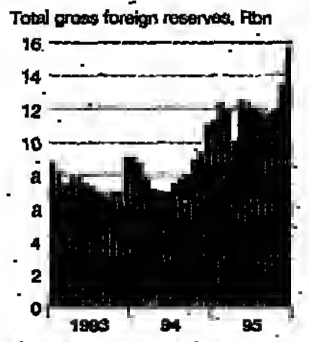
The Reserve Bank has also adopted a more flexible policy towards applications for acquisitions in African countries where the sums involved have generally been small. However, a more general relaxation of controls for companies seeking wider international investments appears unlikely at this stage.

South Africans who have emigrated, but whose funds are blocked, are the third category hoping for some relief.

Mr Stals and Mr Liebenberg have warned repeatedly that more than 50 per cent of the foreign capital inflows are short-term, and while the government remains committed to the abolition of exchange controls, it has ruled out the "big bang" advocated by some industrialists and private sector economists.

South Africa

Total gross foreign reserves, Rbn



Source: South African Reserve Bank

Nigeria frees FT journalist on bail

By Michael Holman

Mr Paul Adams, the Financial Times Nigeria correspondent who had been detained since Thursday last week in the south-eastern oil city of Port Harcourt, was yesterday released on bail.

Mr Adams – who was due back in Lagos last night – appeared in the local magistrates court in the morning, where he was charged with possession of seditious material.

The material is understood to be a statement or speech issued by one of the leaders of the local Ogoni community at a rally in the town of Bori, where Mr Adams was arrested last Thursday during a reporting trip to the area.

Mr Richard Lambert, Editor of the FT, last night said: "We are delighted that Paul has been released, and are most grateful to all those who assisted.

"We will vigorously contest any charge. I have no doubt that he was acting in a thoroughly responsible and professional manner."

Residents of the oil-producing region have been protesting against pollntion, and demanded a greater share of the oil revenne. Nine Ogoni minority rights activists, including author Ken Saro-Wiwa, were hanged in November, after being found guilty of murder of four chiefs. The trial was widely criticised as unfair, and the executions provoked international condemnation.

According to Nigerian law, possession of seditious material is an offence that carries up to two years in jail on conviction.

His release follows representations by the British government and diplomats at the High Commission in Lagos, as well aa leading Nigerians, inclnding diplomats, former politicians and senior businessmen, who made clear their concern about Mr Adams' detention in private contacts with tha military government.

Mr Adams, 38, has been based in Lagos for the Financial Times since 1993.

Zeroual ready to cash in on extremist feud

By Roula Khalaf, Middle East Correspondent

The declaration of war by one Algerian Islamic faction against another has highlighted a widening rift among militants locked in a bitter atruggle with government forces since 1992.

While the result may be costly in lives, disarray in Islamic ranks may speed renewed contacts between the government and the Islamic Salvation Front (FIS), the banned political party that was poised to win elections in 1992 before they were cancelled by the government.

The extremist Armed Islamic Group (GIA), responsible for the highly-publicised bomb attacks in Algerian cities and believed to have been infiltrated by security forces, has declared war on the Islamic Salvation Army (AIS), the armed wing of the FIS.

This follows accusations by the FIS that the GIA is responsible for killing FIS leaders. It also follows conciliatory FIS statements towards President Liamine Zeroual and government reports of hundreds of Islamic militants – and even some FIS leaders – giving themselves up to the authorities, in response to a presidential promise of clemency.

Although the GIA and the FIS have been at each others' throats for months, the November presidential election won by Mr Zeroual has heightened the tension.

The election cemented tha view that the Algerian government would not be toppled by the Islamists, though the resurgence of violence after the election illustrated that Mr Zeroual still had to work towards national reconciliation. Soon after the election, political analysts began renewing their calls for negotiations with the FIS.

Mr Zeroual, however, has been in no rush to act. Algerian officials say the election has strengthened his position, allowing him to wait for his opponents to disintegrate and for the FIS to move towards a rejection of all forms of violence, thus removing the young militants' political justification for maintaining the struggle.

If the FIS is to be brought back to the political fold before legislative elections promised by Mr Zeroual for later this year, say Algerian officials, it has to be on Mr Zeroual's terms. In the meantime, he can claim to his people and to the west that he is open to Islamists. Last week he appointed three moderate, government friendly, Islamists to cabinet posts: a dissident FIS co-founder and two others belonging to the party Hamas, a FIS rival which took part in the presidential election.

The FIS, already decimated by the jailing of its leaders and by government efforts to sow rifts among its leadership, auffered a further blow in the alection when its calls for a boycott were ignored (only partly because supporters felt pressure from the government to vote). The election marked a similar setback for the GIA, whose threats against going to the polls were also ignored.

At the same time, the strength of the FIS armed wing has become increasingly difficult to gauge, given the Algerian government's tight grip on security information and on the press. As the government would like Algerians to believe, the violence in the country, which has claimed more than 40,000 lives so far, appears now to be predominantly the domain of the GIA, which is dominant in Algiers, where it wages a war of urban terrorism.

Mr Rabah Kebir, tha FIS leader in exile in Germany, has played his part well since the November election. Realising that the message from the election is that people are fed up with violence, he has begun to condemn terrorist acts by the GIA, to dispel notions promoted by the authorities that the Islamist movement is purely a terrorist one. Such measures of house cleaning, it is hoped, can put pressure on the president to reintegrate the moderate wing of tha FIS into the political game by tha time legislative electious are held later this year.

Old loyalties fade in Palestinian poll

The intifada generation demands to be heard. Julian Ozanne reports

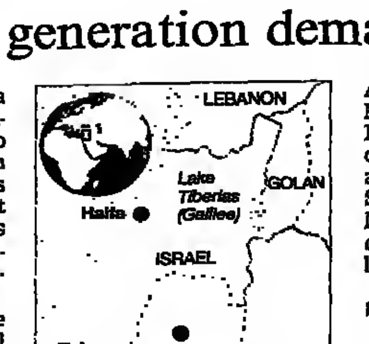
In the afternoon drizzle a group of independent candidates try to explain to cautious Palestinian voters in a small village near Nablus why they should vote against the official list of candidates put forward by Mr Yassir Arafat's Fatah faction of the Palestine Liberation Organisation.

It is not an easy task because Nablus, a bustling commercial centre on the West Bank, is a Fatah stronghold and, according to many political scientists, a heartland of traditional attitudes and political behaviour.

Mr Arafat has counted on Nablus keeping with tradition but conventional attitudes are being challenged by 54 candidates vying for eight seats in the 88-member legislative council to be elected a week tomorrow.

Dozens of independent candidates like those out campaigning yesterday from the Freedom and Independence bloc are defying the customary political dominance of the ruling Palestinian families, the older generation and Mr Arafat himself.

Youngar candidates who forged their politics on the anvil of the Palestinian *intifada*, the uprising against Israeli occupatiou, are standing against the older generation. Many of the *intifada* activists learned much from observing Israel's plural democracy and they are determined not to settle for a traditional authoritarian Arab regime.



The results in Nablus may well be a bell-wether of the extent to which Palestinian political culture has changed during 28 years of Israeli occupation and the six-year *intifada*.

It may be Mr Arafat who gets the biggest shock. The veteran Palestinian leader overturned local Fatah primaries in Nablus which had elected a list of largely young activists. Instead he drew up his own list which included representatives of Nablus's big families. Among them was Mr Maher el-Masri, a leading figure in the large and wealthy family that once dominated Nablus politics and commerce. Mr Ghassan Shaker, another prominent Nablus family head and the city's former mayor, is also a leading Fatah candidate.

The *intifada* generation candidates are deeply critical of the way the Mr Arafat selected his list and the way he runs Fatah and the PLO.

"The old leadership of Fatah think they are gods and choose the list according to their own wishes," said Mr Husam Khader, a candidate for the Freedom and Independence bloc whose election to the official Fatah list in third place was rejected by Mr Arafat. "We want Fatah to be a modern democratic political party and we are offering the voters a choice between a fresh *intifada* leadership who can criticise the leadership and say no sometimes – or staying with the old guard, the old ways and the yes men."

Mr Nader Sa'ld, a Nablus based Palestinian sociologist, said that in the last elections in Nablus – to the Jordanian parliament in the 1950s – family had been the overwhelmingly dominant factor with three or four of them towering above the rest.

But Israeli occupation and the politicisation of Palestinians during the uprising had broken down the influence of family and clan. Furthermore, Palestinian families no longer operate the way they did and many are deeply divided. In Nablus, for example, three members of the el-Masri family are running on different tickets.

"Family and clan is not enough to get a person elected any more," he said. "The family has lost power and significance and it is now just ona political resource. There there are new variables in Palestinian politics such as political affiliation, religion, age, what one did during the *intifada*, whether one struggled and suffered under the Israelis and one's personal record."

However, the picture is complex because many of the candidates from leading families are political figures in their own right. Furthermore, the first-past-the -post electoral system chosen by Mr Arafat tends to accentuate local, clan and traditional interests at the expense of national interests particularly given the boycott of opposition parties, moet notably the Hamas Islamic group.

Mr Khalil Shikaki of the Nablus based Centre for Palestine Research and Studies, says Mr Arafat intentionally choose a majority system rather than proportional representation because he knows it will be easier to manipulate.

"Arafat would rather deal with much less organised groups like family, clan and localised interests than with modarn organised political forces like Hamas. That is also why he tried to marginalisa Fatah by overturning the primaries. He has always shown he knowa how to use and manipulate individuals and local interests to legitimise his policies," he said.

Mr Shikaki believes that, in the absence of a strong choice between Fatah and an organised opposition, the electorate in Nablus and elsewhere will vote for official Fatah candidates and the traditional families.

But as all political observers in Nablus admit there is little political or aociological research on which to base a solid analysis for the first nationwide Palestinian elections.

NEWS: UK

German investment 'We have a very good staff here'

Jungheinrich switches supply from US

By Andrew Baxter in London

Boss Group, the manufacturer of lift trucks, has won another vote of confidence from Jungheinrich, its owner, by clinching a deal to design and manufacture a new range of trucks for the Hamburg-based company.

The agreement further underlines the importance of the UK as a manufacturing site for European engineering companies, particularly German groups whose exports have been hampered by the strong D-Mark and high domestic labour costs.

It joins a growing list of such arrangements between UK producers of off-highway equipment and their counterparts in countries with strong currencies.

The announcement from Jungheinrich was accompanied by praise from Mr Hans-Peter Schmohl, its new chairman, for the UK as a manufacturing centre and the progress made by Boss since it was bought out of receivership by the German group in May 1994. "The UK is the best place in Europe for a lift truck factory," he said in his first interview since becoming chairman on January 1. "We have a very good staff there, and a good situation internally, with manufacturing focussed on assembly."

The deal coincides with a sudden dip in the German market for lift trucks which, Jungheinrich said last month, had worsened conditions there for manufacturing.

The new arrangement finally explains why Jungheinrich was so keen to buy Boss, formerly Lancer Boss, and why, last autumn, it approved a £10m ($15.4m) investment package aimed at turning the Boss manufacturing site into a world-class prodncer of lift trucks.

Boss specialises in trucks powered by internal combustion engines (ICE), while Jungheinrich makes battery-powered trucks. The two serve mainly different markets, with electric trucks used in warehouses and ICE trucks used elsewhere.

Hans-Peter Schmohl: "best place for a lift truck factory"

Industry observers have speculated that Jungheinrich would eventually have its own range of ICE trucks built in the UK, but the German company has refused to comment until now. It was constrained, said Mr Schmohl, because of an existing agreement under which Yale Materials Handling of the US made ICE trucks for Jungheinrich to sell under its own name, but only in parts of Europe.

That deal has now been terminated, and an interim arrangement will continue until 1997. By then, the expansion at Boss, which is due to double production capacity, will be completed. The new Jungheinrich range should then be ready for production.

Mr Schmohl said Jungheinrich wanted to become a global player In lift trucks, and needed to have its own range of ICE trucks which it could sell worldwide. "Buying Boss was one of the last chances we had to do this," he said.

Management, Page 16

Siemens aims to buy IT companies

By Stefan Wagstyl, Industrial Editor

The British offshoot of Siemens, the German electronics and engineering group, plans acquisitions in the information technology industry.

Mr Jn"rgen Gehrels, chief executive of Siemens' UK operations, said yesterday that, even though the company had grown fast, it needed to make acquisitions in markets where it was weak including information technology. With information technology sales of £208m ($320m) last year, Siemens had a small share of a UK market worth £10bn a year.

The company's acquisitions last year included a controlling stake in a telephone switchboard maker from Mercury Communications, the telecommunications company, and investments in two former British Rail maintenance depots in partnership with Babcock International, the engineering group.

Siemens UK last year posted a turnover of £1.29bn, marginally down on 1994, when the company benefited from large power station orders. Excluding such projects, said Mr Gehrels, turnover rose over 20 per cent.

The market for electrical engineering and electronics grew by 5 per cent to 6 per cent last year and should grow by a further 6 per cent in 1996, said Mr Gehrels. Siemens believes its own sales will grow faster than this, particularly after 1997 when its microchip plant in north-east England comes on stream. Mr Gehrels forecasts that turnover will double in the next five years.

Mr Gehrels saw little sign of the slowing In exports reported hy other companies. He predicted a 20 per cent increase in exports this year from £267.8m in 1995.

He added that the British government's privatisation policies had contributed to Siemens' growth.

Northern Ireland Mitchell reports 'decommissioning' progress to prime minister Major

Drive to end weapons deadlock stepped up

By John Kampfner, Chief Political Correspondent

Mr John Major last night met the three-man international commission on Northern Ireland amid possible signs of a more flexible approach by Sinn Féin towards the handover of paramilitary weapons.

The prime minister was briefed in London by former US Senator George Mitchell on the progress his panel is making as it prepares to deliver its final report to the governments of Britain and the Republic of Ireland next week.

The British government reacted cautiously to the release by Sinn Féin, the political wing of the Irish Republican Army, of its formal submission to the Mitchell team. A senior government official said Mr Major had been told of its main points and had found them "interesting".

In Dublin, the 29-page document was given a more vigorous welcome, with officials of the republic's government indicating that Sinn Féin might be prepared to tackle head-on the vexed issue of how arms might be handed over.

Meanwhile, after initially welcoming the Sinn Féin submission, Mr Ken Maginnis reversed his line yesterday. Mr Maginnis is security spokesman for the Ulster Unionist party, the largest pro-British party in Northern Ireland.

A statement said to have been issued on the instructions of Mr David Trimble, the party leader, said: "Whila Ulster Unionists were happy to welcome earlier indications from Dublin that Sinn Féin/IRA had altered its position on the weapons, it is now becoming clear that nothing has changed. It doesn't add up to anything. They're avoiding the issue of immediate decommissioning."

Mr Mitchell moves on to Dublin for talks with the republic's government today. He will then go to Belfast for meetings with the main parties in Northern Ireland.

For the first time, Sinn Féin has made clear it is prepared to discuss the British agenda on decommissioning weapons. Its paper to the Mitchell panel disclosed the options presented by the UK government during negotiations last May for the removal of IRA weapons. These included destruction of weapons by those in possession of them.

Originally Sinn Féin said ruled out any discussion of British terms for decommissioning. But in its submission to the Mitchell panel, Sinn Féin suggested that "as part of a peace settlement, the disposal of arms by those in possession of them is a method which may find acceptance."

It also indicated that the IRA might be prepared to allow an independent third party – perhaps the Mitchell commission itself – to witness the destruction of its weapons by its own volunteers.

Death threats against 15 people in Northern Ireland are "a dangerous attempt to emulate the IRA's tactics," the Ulster Democratic party, a small political group close to anti-nationalist paramilitary groups, said yesterday. An organisation calling itself the Protestant Action Force has ordered 14 men and one woman to leave Northern Ireland with the warning that they are "on a death list". It accused them of violence and drug dealing.

The party said eradicating drugs could be done only by legitimate methods. The IRA has been accused recently of killing several men allegedly linked to drug dealing.

Investors demand $31m damages from consortium

By Jim Kelly, Accountancy Correspondent

All members of a leading international organisation of accountancy firms and companies were liable for a fraud in which investors lost heavily, it was alleged yesterday in the High Court in London.

If such liability were established by the court it would dismay leading global accountancy organisations which have always fought to restrict their legal liability within national boundaries.

More than 100 investors are seeking up to £20m ($31m) in damages from Clark Whitehill and Kenneth Leventhal & Co, the US and UK members of the international organisation at the time of the fraud, and Bangstad Revisionsbyra, the Swedish member.

The court heard that the UK firm and US company are being sued on their own behalf and as representing all members of Clark Kenneth Leventhal from its formation to 1990 – except for the Swedish member – which is being sued separately. All the defendants contest the claims.

Mr Nick Young, a former executive director of Clark Kenneth Leventhal (CKL), the international organisation, was jailed for four years for fraud in 1991. He claimed to be investing money in offshore trusts with a high rate of return, but actually spent it on a system he had devised for betting on horse races.

It was alleged in an opening statement that the defendants were negligent and "vicariously liable" for the fraud committed by Mr Young. "It is submitted that Clark Kenneth Leventhal carried out a single business and carried it on as a partnership."

It was alleged that Mr Young had met his clients in the offices of Clark Whitehill in central London, and had paid his employers £750 a month for the use of office facilities for private client work. The court heard he had access to headed notepaper and telex machine without which he could not have run his scheme. He was able to operate with the "appearance of the knowledge and support of CKL and Clarke Whitehill . . ." The court was told Mr Young was an "accomplished confidence trickster".

In 1993 Mr Brian Worth, a former senior partner of Clark Whitehill and former chairman of CKL, was disciplined by the Institute of Chartered Accountants in England and Wales for failing to supervise Mr Young's activities. It was also alleged that another former chairman of CKL invested with Mr Young and gave a reference for him as an investment manager. The former chairman was Mr Bengt Bangstad, head of the Swedish member of CKL.

The opening statement for Clark Whitehill and Kenneth Leventhal & Co argued that CKL was an association of independent accounting firms and not a partnership itself.

CKL never said Mr Young could take investment funds and they were not aware he did. "They were unaware of his activities which he carried out in a private and personal capacity." Each of the plaintiffs knew this, claimed the statement. "Each knew that he was investing his money with Mr Young personally."

Neither CKL not Clark Whitehill owed any duty of care to the selected plaintiffs in relation to any financial loss which they might suffer from their dealings with Mr Young," said the statement. Neither CKL nor Clark Whitehill was negligent.

UK NEWS DIGEST

Central bank revises rules

THE BARINGS COLLAPSE

The Bank of England, the UK central bank, has issued new guidelines for spotting a bank in trouble. They are intended to avoid another collapse like last year's failure of the Barings merchant bank. The central bank said it would pay closer attention to banks which face a significant risk hecause they derive an unusual proportion of their profits from a single prodnct group or overseas operation. Its comments were in a report on its response to recommendations from the Board of Banking Supervision for changes in the way it oversees banks. An operation will be regarded as significant if it involves more than 5 per cent of a group's regulatory capital, or generates more than 5 per cent of its gross revenues or group profits. If an authorised bank has a financial exposure to another part of the group of more than 10 per cent of its capital, that will also be regarded as significant.

Had all this been in place last year, it would have been expected to catch a problem such as the rapid build-up of advances from the Barings group to its Singapore trading operation. By February 24 last year, when Barings told the Bank of England of its problems, these loans totalled more than twice the reported capital of the Barings group.

George Graham, Banking Correspondent

Bond issue ruled out

The French and British governments ruled out a plan by Eurotunnel, tha Anglo-French operator of the Channel tunnel, for a government-guaranteed bond issue to solve its financial crisis. The statements came after it emerged on Wednesday that Eurotunnel had asked both governments to guarantee e bond issue to help refinance its £8bn ($12.3bn) debts on which it suspended interest payments in September.

The French finance ministry said: "This is a private operation and we operate on the principle of non-intervention." In the House of Commons, Mr William Waldegrave, chief secretary to the Treasury, said the British government's policy of not subsidising Eurotunnel had not changed.

FT reporters in London and Paris

GTech chief sues Branson

THE NATIONAL LOTTERY

Mr Guy Snowden, chairman of GTech Corporation, issued a writ against Mr Richard Branson, chairman of Virgin group. GTech is a US lottery equipment company which is part of the Camelot consortium which runs Britain's National Lottery. Mr Snowden said he wanted "to clear my good name". The writ alleges that Mr Branson defamed Mr Snowden in a BBC television programme on the lottery. Mr Branson alleged in the programme that Mr Snowden had offered him an inducement to quit the hidding for the licence to run the lottery. "We look forward to seeing them in court," said Mr Branson.

Raymond Snoddy, Consumer Industries Staff

Strike ballot at Ford plants

Ford's 22,000 manual workers in Britain are to be balloted on strike action after the company had failed to improve its "final offer" at a meeting with trade union officials. Workers at Ford factories including Dagenham in east London and Halewood in north-west England will vote on whether to strike against a pay offer worth about 9.25 per cent over the next two years. The company has rejected a union demand for a cut in the 39-hour working week.

Andrew Bolger, Employment Staff

Business newspaper to launch

Mr Tom Rubython intends in March to launch a six-section Sunday newspaper devoted entirely to business. Mr Rubython is the founder and former editor of Business Age magazine, who sold the magazine to VNU, the Netherlands publisher for £3m. He is using the money as start-up capital for the new paper, to be called Sunday Business. "We are doing a proper job; we have had the funds to do it properly," he said yesterday. Stockbrokers Williams de Broe will produce a prospectus soon and will sponsor e listing on the Alternative Investment Market.

Raymond Snoddy

Armed robberies decline: The number of armed robberies in London have fallen to a 10-year low. Last year 597 armed robberies were recorded against 679 in 1994 and 1,618 to 1991. "These crimes have been driven down by the sheer hard work and detective skills of Flying Squad officers," said Commander Roy Ramm, head of Scotland Yard's organised crime group.

British Gas aims to end supplies dispute

By Robert Corzine and Peggy Hollinger

Banks may be called upon to lend billions of pounds to British Gas as part of a scheme to bail the company out of its bitter dispute with North Sea gas prodocers over £40bn ($61.6bn) worth of long-term gas contracts.

British Gas claims that it has heen locked into high-priced contracts signed when it was a monopoly, and which put it at a competitive disadvantage at a time of low prices.

The proposal to involve the banks would require the government to impose a new levy on the gas industry, a move which consumer groups fear would result in higher gas prices to some 19m households.

Bot British Gas executives dismiss such worries. "I can construct a scenario in which consumers would still benefit from lower prices," said one senior executive. "But the government would have to take the lead."

The Departmeot of Trade and Industry this week acknowledged that it is looking into the possible use of a levy in the dispute. But last night the department said it was looking at e levy only as part of an "insurance policy" in case direct negotiations between British Gas and the North Sea producers failed. The department said direct talks remained the government's preferred solution to the issue. It was contemplating the use of a levy only if no commercial solution emerged.

The proposal to involve the banks in the dispute is one of a number of plans being considered by British Gas for formal presentation to the government. Most involve involve sharing the cost of reaching a settlement belween British Gas, the producers, taxpayers and possibly consumers.

One involves British Gas borrowing billions of dollars from banks to fund a buy-out of the contracts at a discount to their net present value. The company would repay part of the principle from the proceeds of gas sales. Interest and the remaining principle would be repaid by means of a levy on all gas shipped in the country, whether by British Gas or its competitors.

Producers indicated yesterday that this might he an acceptable solution as long as the government took steps to ensure that British Gas cut its ehare of the domestic market.

"On the face of it this solution has the capacity to make sure that all four players – BG, the government, producers and consumers – make a contribntion," said a producer.

Names adjourn court case for talks

By Ralph Atkins, Insurance Correspondent

A court case in London pursued by 865 Lloyd's lossmaking Names was yesterday adjourned pending the outcome of talks on a global settlement of litigation which is hlightlog the insurance market.

The move by the Wellington Names Association, just four days ahead of the start date for the case, may be an important influence on sentiment towards Lloyd's ambltious recovery plan of which the out-of-court settlement offer is part. Some 40 Lloyd'a legal cases have still to be heard.

The association, whosa members lost as a result of US liability insurance claims, said the decision followed the release to lawyers of provisional figures on the cost of Equitas.

Names are individuals whose assets have traditionally supported the 300-year-old

LLOYD'S

LLOYD'S OF LONDON

insurance market. Equitas is a large reinsurance company planned by Lloyd's as part of its deal with litigating names lo take over and "cap" outstanding US asbestosis and pollution claims.

Mr John McBride, vice-chairman of tha association, said that Equitas would have a significant impact on the estimated £35m ($53.9m) damages the Wallington Names were seeking, reducing the amount they would claim nearer to £20m.

Although Equitas figures have not been published, the Wellington case suggests that the cost of Equitas will not be as great as many fear. Indeed, it suggests that some Names may actually receive credits.

Currently the overall out-of-court deal proposed by Lloyd's is worth £2.8bn. The association said that if the recovery package, including Equitas, proved unacceptable, it would resume its pursuit of damages for losses against about 60 Lloyd's agencies and auditors Ernst & Young.

But the earliest the case could resume is January next year.

The association aaid the adjournment would not have any impact on its prospects in terms of the out-of-court settlement offer. It would, however, save legal costs.

Mr Antony Haynes, chairman of the Wellington Underwriting group, said the adjournment was the first eince Equitas figures had become available to Lloyd's syndicates.

The decision, he said, "points generally to the risks of litigation as against tha advantages of a timely and cost-effective settlement which [the recovery plan] offers."

RECRUITMENT

JOBS: Positive discrimination cannot exist side by side with equal opportunities laws

Flaunting the old school gymslip

The industrial tribunal ruling that has effectively outlawed the Labour Party's women only shortlists for constituency seats has restored some fairness to a policy which was distorting the principle of equal opportunity, even if the motives behind it were laudable.

Labour was applying positive discrimination to increase the number of women MPs since, proportionately, they are under-represented in parliament.

That an industrial tribunal should rule that this policy violates the Sex Discrimination Act ought not surprise the British Labour Party, which was in danger of making an Orwellian interpretation of equality on the lines that "some are more equal than others".

The decision, however, leaves the party still confronting a problem faced by many employers: that of recruiting able women in a sector which is dominated by men.

Dianah Worman, policy adviser on equal opportunities at the Institute of Personnel and Development, said: "I never understood why Labour felt able to do what it did. It is very important that things like positive discrimination are recognised not to be legal because they create resentment among the groups that have not benefited."

She advocates, instead, a policy of positive action: taking steps to go out to the areas and organisations where women candidates or job applicants might be found, or to ensure that minorities which may be discriminated against have access to the training and skills necessary to compete on eqnal terms for a job opportunity.

One other area where women are seeking "jobs for the girls" is networking, according to Carole Pemberton, a research consultant at Sundridge Park Mangement Centre, who has carried out a study of women's executive networks.

She was particularty interested in how such networks were used by different nationalities. British women, she said were bashful about making contacts compared with those in the US and Spain (who she also looked at among a sample of 200 women's network members).

Amarican women, she said, wanted to exchange business cards straight away and were expert at "working a room", whereas British women tended to move towards tha edge of a room. They came to network groups to improve npon their skills at making contacts, she said.

Spanish women, on the other hand, were neither bashful nor pushy and saw networks as a way of socialising and making new friends that may or may not lead to some business or a job opening one day. "The Spanish women tend to expand into the room when they walk in," she said.

British women, she noted, did not have a natural liking for networking. "A lot of women say to me this is odious, it's like prostituting yourself. But if the result is that you can get business, shouldn't you at least know the skills involved? One cannot deny that networking is a very powerful means by which business is done."

Some feel that women are doing little more than substitituting the otd schonl gymslip for the old school tie. One of the justifications for this kind of women's networking is that men have done it for years. But whether it is an old boys' club or an old girls' club, should membership of such an organisation confer favoured treatment when applying for a job? Worman thinks not, but she adds that it may well be a good way of finding out about a job in the first place. Pemberton agrees, arguing that networking is becoming increasingly important in accessing the hidden jobs market where vacancies are not advertised.

Marriage lines

Do employers favour married men and single women among job applicants? Whether or not this holds true, there is a perception among job candidates that such discrimination exists.

A survey of 776 male and female applicants for management positions at NB Selection, the executive recruitment consultancy, found that women ware far more reluctant than men to include their marital status or the number of children they have on their CVs.

Married men and single women were tha most likely to indicate their marital status. Single men and married women appear to believe they are likely to suffer discrimination, says Elisabeth Marx, who heads the company's psychological assessment practice.

"Men seem to believe that marriage and children signify stability and are positive factors in the selection process," she said. "In contrast, women appear to believe that the same factors are interpreted as a lack of job commitment and will diminish their chances."

Off limits

Should there be an industry body within headhunting to police off-limits agreements? Such agreements between headhunters and their clients are designed to stop the headhunter poaching individnals from the client company within a set time limit, typically two years.

When this question was posed in a survey of 30 personnel heads of financial services companies canvassed hy Haley BDC, a search business which specialises in the sector, the answers highlighted tensions between headhunters and the businesses in which they work.

Many headhunters have been seeking to apply off-limits agreements to specific divisions and country bases of a particular group. For example, a headhunting firm may have worked in the corporate finance department of an investment bank. The same firm might argue that it should he able to approach individuals in the treasury or investment management teams at the same bank when recruiting for another client.

Four out of five of the personnel managers, however, said they thought that the whole of an organisation should be off limits, even if the headhunter had only worked in one part. About two-thirds thought that off limits should be restricted to the country where the assignment had been commissioned.

Surprisingly, half the personnel managers said they would be happy with an off-limits period of one year. Terence Hart Dyke, Haley BDC's chairman, said he had been surprised at the readiness of personnel people to allow approaches to individuals from headhunters who had previously placed them, once the off-limits period had expired.

The vast majority of personnel people saw one assignment a year sufficient to warrant off-limits protection. This does not have the wholehearted support of headhunters. The report said there were occasions when companies "bought protection" hy commissioning a single assignment for that purpose. Two-thirds of the personnel managers said they would welcome an agreed set of rules for consultants. Most proffered the Institute of Personnel and Development as a potential rule-maker, but some suggested an executive search association similar to that in the US. The existing attitude towards off-limits, says the report, is likely to do little to alleviate misunderstandings between search firms and their clients.

Age limits

The Department for Education and Employment issued a booklet last week as part of its campaign to convince recruiters of the merits of considering older job applicants.

While the booklet was generally welcomed by recruitment agencies, Alec Reed, chairman of Reed Personnel Services, qoestioned whether agencies needed the advice as much as employers who were less aware of the debate about age limits in recruitment advertising.

He also noted that the government needed to prove that it was following its own guidelines as an employer. "Certainly, redundancy and early retirement policies for the civil service on the grounds of age give a confusing picture of what constitutes best practice," he said.

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GERMAN EQUITIES

Our client is a high quality European investment house with some $10 billion under management in London on behalf of international institutional clients. Recent success in winning new business and the planned future growth has resulted in the need to strengthen the European Equity team.

Specifically, the requirement is for an individual to manage German equity portfolios and to generate superior investment performance from that market based on sector and company analysis as well as macro-economic research. In addition, this individual will play a major role in the asset allocation and policy discussions regarding Europe.

The successful candidate will be educated to degree level and will have at least 4 years' experience of the German market as a Fund Manager with a good record. Particular importance will be attached to communication skills and the candidate's ability to contribute effectively in a young and progressive environment. Fluency in English and German will be necessary.

For further information, please write in confidence, with your cv, to *Martin Symon* at the address below.

Jonathan Wren & Co Limited, Financial Recruitment Consultants, No.1 New Street, London EC2M 4TP
Telephone 0171 623 1266 Facsimile 0171 626 5259

JONATHAN WREN

Ref: P20109

fund management

GREIG MIDDLETON

GM

Corporate Finance Executive

Glasgow

Salary Commensurate with Experience

Greig Middleton is a leading firm of United Kingdom stockbrokers with 23 offices around the country and is part of the King & Shaxson Group.

The Corporate Finance department of Greig Middleton currently acts for over 100 listed and quoted companies from offices in London, Birmingham and Glasgow.

The department is now looking to recruit a senior manager for its Glasgow office, ideally a fully qualified lawyer or chartered accountant, with experience in Stock Exchange and Take-Over Panel work, new issues, fund raising and with general financial advisory skills. An ability to act as part of a team, to build and sustain relationships, to communicate effectively and to focus on essential issues, is required.

If you believe you can contribute to the growth of our business, please write enclosing a full CV to:

R P Clinton Esq
Head of Corporate Finance
Greig Middleton & Co Limited
66 Wilson Street
London EC2A 2BL

Member Firm of the London Stock Exchange
Regulated by the Securities and Futures Authority

Top Opportunities appears every Wednesday.
For more information please phone
Robert Hunt +44 0171 873 4153

The World Bank, the leading multilateral organization in global economic development, emphasizes its continued commitment in energy work, which has long been one of its most important activities in all regions of the world. Development lending amounts to roughly $3 billion yearly. Our involvement includes sector reform and restructuring (the central component of energy policy); investments in electricity, oil/gas and renewable energy; support for pricing policy reforms, private investment and finance; developing rational environmental policies; the expansion of modern energy supplies to rural areas and seeking sustainable ways of improving traditional energy supplies in rural areas.

Senior Advisor For Energy

Based in its headquarters in Washington, DC this position will provide intellectual leadership in policy advice and strategy formulation in: energy policies towards finance, private investment, sector reform, energy efficiency, rural energy, and the environment; as well as defining and encouraging new directions toward private sector development, and financial resource mobilization.

We are seeking a recognized international expert in energy sector with a minimum of 15 years substantive senior-level experience in leading policy dialogue with industry and government in developing and industrial countries. A strong academic background with applied practical experience and a solid publication record is required. Successful candidates must possess professional qualifications in two of the following: engineering, economics, finance and environmental policies.

The World Bank offers an internationally competitive compensation package, net of taxes, including expatriate benefits. Candidates should send their resume, within 14 days, to: The World Bank, Staffing Center, Rm. O-4135, 1818 H Street, NW, Washington, DC 20433, USA. Fax: (202) 477-1881. (Please quote code EGY ADV)

The World Bank

TOP OPPORTUNITIES IN BANKING

CREDIT ANALYSTS

An outstanding opportunity to join one of the World's most prestigious and respected banks, looking to recruit high calibre graduate bankers with credit experience. Our client takes career progression seriously, offering exceptional opportunities for continuous development to individuals with the desire and determination to succeed at the highest level. Although not essential, applicants with European language skills will be of particular interest.

ACCOUNT OFFICER

Our client, a developing and expanding U.S. bank, requires an Account Officer with Trade Finance experience. Duties will be varied including relationship management of existing business and responsibility for own portfolio as experience develops. Working within a small dedicated team, the appointment offers excellent scope for career development with the prospect of early ~~promotion. Candidates, who should be aged 25 to 30 with good credit skills, will~~ be offered a competitive salary and the ability to earn excellent performance related compensation.

For further details please contact or forward your CV, to Peter Brooker, Associate Director.

Gordon Brown

JUNIOR TURKISH INVESTMENT ANALYST

Junior Turkish Investment Analyst required to join an expanding Emerging Markets Team specialising in Turkish equities in one of the City's leading European broking houses. Candidates must:
- have a sound academic background with preferably a finance and/or business degree
- possess basic financial analysis techniques to produce research products and be computer literate
- previous experience of the Turkish market an advantage

Interested parties should write enclosing a CV to:
Box A5955, Financial Times,
One Southwark Bridge, London, SE1 9HL

Our company is a fast-growing financial institution. We are already leaders on several French markets and our ambition is to develop rapidly on an international level. In order to improve our exchange forward market records, we are looking for a

SENIOR EXCHANGE SWAP

$ PARIS ET $/DEM

You will work within a small team and you will develop your turnover on these markets.
You have an experience of 2/3 years on these products or on the currency market in general, either with a bank or with a broker.
You have a perfect command of written and spoken financial English.
The position to be filled is based in Paris.

Please send your application under the reference 4757, to Alliance RH - 17, rue des Dames Augustines - 92200 Neuilly sur Seine - France, who will forward it, or by fax to (33) 1 41 05 08 42.

EUROPE/ASIA

MARKETING DIRECTORS FOR HEDGE FUND

We are a well established U.S. based hedge fund manager and SEC registered investment advisor with an excellent track record in the emerging markets.

We seek two entrepreneurial and performance driven individuals to each exclusively market our product in Europe and in Asia, respectively. The successful candidates will have a proven track record marketing equity securities products in the international arena. The ability to develop an European or Asian client base and to maintain a superior service relationship is essential.

Candidates must be highly self-motivated. Foreign language fluency will be a plus.

Salary and performance incentives.

To apply in confidence, please reply to Box A5828, Financial Times, One Southwark Bridge, London SE1 9HL

QUANTITATIVE ANALYSIS - DERIVATIVE PRODUCTS to £50,000

An opportunity exists for a quantitative analyst to join the derivatives development group of a major international investment bank. Working within a highly regarded team the successful candidate will be involved in the design and development of leading edge derivative products and pricing models. The successful applicant will have a PhD in a mathematical discipline as well as a keen and developed interest in financial products and markets. Mathematical modelling skills are essential as is the ability to present your research clearly. Experience in option pricing and strong programming skills (C, C++) would be particularly attractive.

Candidates interested in this and other quantitative research positions should call Tony Sheppeard.

AUSTEN SMYTHE SEARCH and SELECTION
127 Cheapside, London EC2V 6DH
Tel: 0171 600 2862 Fax: 0171 726 4290

هكذا من الأصل

ACCOUNTANCY APPOINTMENTS

DEPUTY TREASURER

UK BASED INTERNATIONAL GROUP

CENTRAL LONDON — **c.£50,000 + BONUS + BENEFITS**

- Distribution, conversion and light manufacturing operations. Turnover in excess of £1.6bn of which 80% is generated overseas from operations in 20 countries.
- Centralised treasury function comprising four people responsible for the group's risk management as well as controlling day-to-day cash and foreign exchange for the UK operations.
- Specific accountabilities include all aspects of Treasury management information, analysing product and market developments, communicating treasury policies, acting as senior dealer for forex, money markets and derivatives, and deputising for the Group Treasurer.
- ACT/MCT, probably aged 28-35 educated to degree level and with experience in an international corporate treasury department known for its sophisticated systems and methods. An accountancy qualification would be distinctly advantageous.
- Highly computer literate, preferably with experience of International Treasurer. Excellent communication skills, an analytical approach, drive and well developed management abilities.
- Realistic opportunity for promotion within circa two years if the successful candidate performs well in the role.

Please apply in writing quoting reference 1056 with full career and salary details to:
Nigel Bates
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043

Whitehead SELECTION
A Whitehead Mann Group PLC company

FINANCE AND ACCOUNTING DIRECTOR

BRANDED CONSUMER GOODS ACROSS EUROPE, MIDDLE EAST AND AFRICA

LONDON — Walt Disney — **ATTRACTIVE PACKAGE**

- Buena Vista Home Entertainment (Europe) is the sales, marketing, manufacturing and distribution arm of The Walt Disney Co across Europe, covering video, Interactive/CD ROM and Audio products in 18 countries through a mix of wholly owned subsidiaries and licensees. It is the acknowledged leader in its markets.
- Following reorganisation of the Regional finance team, the new position of Finance and Accounting Director has been created, reporting to the VP Finance and heading a *team of ten, the majority of whom are qualified.*
- Accountabilities include full co-ordination of European forecasting, budgeting, reporting, long term planning and financial review; providing finance support to the European Management team; project management, in particular for the set up of new businesses; acting as a focus for finance policies and procedures in Europe; management of financial systems support.
- Graduate, probably 'Big 6' trained ACA, with at least five years post qualified experience, including at a senior level in a blue chip retail or consumer goods company.
- Technical excellence allied to strong leadership skills, a sharp intellect, flexibility of approach and exceptional levels of energy and enthusiasm, mixed with an appetite for influencing change and for making a real contribution.
- Position offers an excellent entry point to Disney with definite scope for career progression. Regular short duration travel across Europe with occasional visits to California.

Buena Vista Home Entertainment
Part of the Magic of The Walt Disney Company ©

Please apply in writing quoting reference 1068 with full career and salary details to:
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Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043

Whitehead SELECTION
A Whitehead Mann Group PLC company

DIVISIONAL FINANCE DIRECTOR

BLUE-CHIP INTERNATIONAL HIGH-TECH MANUFACTURING BUSINESS

MIDLANDS — **£100,000 PACKAGE**

- *This is a high profile finance role, in a business with* turnover in excess of £800m, with an emphasis on the development of a more commercial approach to business operations. The successful candidate will work closely with line managers to effect a complete change in attitude towards financial management.
- The individual will define new standards for financial reporting and business analysis, challenge existing assumptions made by line managers and work with the team as a whole to improve the accuracy of budgetary forecasting.
- As a member of the executive management team, the successful candidate will be a key player in the development of future business planning and strategy, and will be expected to take on broader management responsibilities at an early stage. Career development opportunities are excellent and further promotion is likely within 12-18 months.
- Candidates will have first class educational qualifications. They will be degree qualified and ideally have an MBA, as well as an accountancy qualification. Exceptional communication skills are a prerequisite, as is a sense of humour and the ability to influence/motivate others.
- Previous work experience will have been gained at a senior level within a large, complex organisation, ideally manufacturing or technology based. The ideal candidate would be familiar with the design and implementation of financial procedures and controls, and have experience of both financial and non-financial planning.
- Alongside traditional financial management, it would be advantageous to have gained exposure to the broader commercial functions of a company operating within a highly competitive market. Candidates will be proactive, decisive, assertive and ambitious. They will be in their 30's and looking for rapid career progression.

Please apply in writing quoting reference 1070 with full career and salary details to:
Jeremy Breaks
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043

Whitehead SELECTION
A Whitehead Mann Group PLC company

MANAGER, BUSINESS PLANNING AND ANALYSIS

HIGH PROFILE COMMERCIAL ROLE

LONDON — **UP TO £70,000 PACKAGE**

- *One of the largest retail financial services groups in the* world with extensive international operations in North America and Asia and a market leader in the UK.
- Following senior management changes in 1995, the Group is undergoing significant change. Its strategy is to build on its existing strengths and to develop new businesses which offer real growth by extending the range of its activities.
- To satisfy management's requirements in controlling and reviewing the Group's performance, a new team has been created within the central finance function which will work directly for the Group Chief Executive and Group Finance Director.
- The Manager, Business Planning and Analysis will be responsible for analysis of the business and financial *performance of one or more operating divisions and will* undertake a wide variety of projects that affect the Group as a whole. This demanding role calls for an exceptional individual with the ability to perform at the highest level and to progress further within the Group.
- Aged 28-32, candidates will have a professional qualification or MBA, with experience in financial planning/analysis, ideally gained in a blue chip environment or alternatively as a manager within a professional accounting firm.
- Role calls for sharp intellect, flexibility of approach and excellent interpersonal and communication skills, coupled with the stature to operate at the most senior levels. Candidates must also demonstrate a high level of commercial acumen, drive and ambition.

Please apply in writing quoting reference 1069 with full career and salary details to:
Phil Bainbridge
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043

Whitehead SELECTION
A Whitehead Mann Group PLC company

UK FINANCIAL CONTROL

Development Role for Non Sector Specialist

Major US Investment Bank — **£55-£65,000 plus bonus**

This firm is a fully integrated global investmeot bank and securities house with an outstanding reputation across all major markets. It has a substantial European presence (including the emerging markets of Eastern Europe) which is centred io London.

A restructuring of the finance function has led to the need to recruit ao individual at Vice President level to take responsibility for UK financial reporting and the general ledger. It is aoticipated that other areas of responsibility will quickly he added leading ultimately to a total staff compliment of c18.

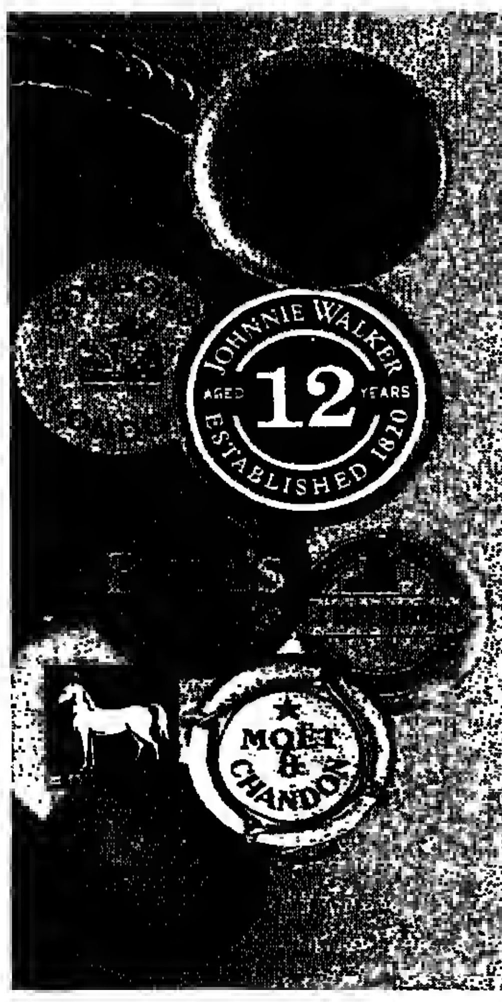
This should be seeo as a developmeot role with the brief to alter the balance of activity away from routine processing towards a heightened focus on control and analysis. As the head of the section, you will act as the poiot of contact with other areas such as operations and product control to improve the quality of information received.

A professionally qualified accountant, you will have experience of the set up and use of sophisticated financial cootrols, and outstanding team managemeot skills. This experience could have been gained in investment banking but equally you could be working within the accountancy profession or a fast moving commercial environment where the emphasis is on regular, tight reporting. Systems development experience would be an advantage.

You will have a lateral thinking and creative approach and be looking for an environment where change is encouraged. This represents an excellent opportunity to make a significant contribution to the overall improvement of the financial control function and an ideal point of entry for an ambitious accountant into the investment banking sector.

To apply in strictest confidence, please write quoting Ref: 0111, enclosing a full CV to Tim Musgrave at The Bloomsbury Group, 2nd Floor, Bedford Chambers, Covent Garden, London WC2E 8HA. Or if you prefer call him on 0171 379 1100.

THE BLOOMSBURY GROUP
Search & Selection



International Audit

LONDON W1 — **c £45,000PA PLUS BENEFITS**

Guinness PLC is one of the worlds leading consumer goods companies with a turnover in excess of £4 billion. Our outstanding portfolio of brands is marketed, distributed and sold through a worldwide network of beer and spirits operations.

Following the career development of members of the internal audit team to key roles within the business, opportunities now exist for high-calibre qualified accountants with at least 3 years' pqe, some of which should have been gained in an operational role, to join our small central team.

Your brief will be to undertake worldwide high level financial and operational reviews across a range of businesses and fuoctions (including production, distribution and marketing) and gain acceptance of your recommendations to improve business processes.

You will be required to demonstrate stroog influencing and interpersonal skills as well as the commercial acumen and cultural sensitivity to operate effectively in a truly international environment. In addition to your first-class technical and analytical skills, you will also require strong written and verbal communication abilities. Candidates with linguistic skills, particularly Spanish, will be preferred.

This role offers an excellent opportunity to join the senior financial team of a major PLC, undertake significant international travel and build a long term career in a successful and progressive organisation.

Interested candidates should write in confidence, enclosing a resume together with current remuneration details, marking the envelope 601A to our advising consultants: Chryssaphes Flammiger Associates, Bechtel House, 245 Hammersmith Road, Londoo W6 8DP.

GUINNESS PLC

Financial Accounting

an opportunity for a recently qualified Chartered Accountant to enjoy responsibility

Financial Services sector

Our client is a well established investment management Group with a friendly, lively environment and avowed intentions of providing qualified accountants with real management potential.

This position within Group Accounts gives responsibility for a broad range of reporting requirements in both financial and regulatory areas and we are looking for a recently qualified Chartered Accountant with Financial Services exposure. Some knowledge of IMRO and PIA requirements would be particularly advantageous.

Technical knowledge will not be sufficient on its own; we will be looking for people management skills (latent or demonstrable) as well as ambition and the maturity to work with minimum supervision.

Offices are located within easy reach of the City.

The salary and benefits package is attractive enough to appeal to top class candidates.

Please send a full CV, including current salary details and quoting reference A3270 to Malcolm Lawson at Codd Johnson Harris, Human Resource Consultants, 12 New Burlington Street, London W1X 1FF.

CJH Codd • Johnson • Harris

Finance Director

Salary: to £50,000 + car + benefits — *Location: Southampton*

The Solvay Group is a world wide chemicals and pharmaceutical organisation with sales of over £5 billion in 42 countries. Two of its UK companies, with total sales of £50 million, comprising of human healthcare and animal health, now require a Finance Director, to be based at the headquarters in Southampton. Reporting to the Managing Directors, responsibilities will include:

- Maintaining and operating financial controls, financial planning and budgetary control.
- Advising management on plans for business development and implementation of policies and programmes for profit improvement and financial management.
- Directing operational elements of the company, including Housing, General Services, Computer and Warehouse departments.
- Acting as a member of the executive committees and participating in strategic decision making.

Candidates will be qualified accountants with a minimum of 5-7 years PQE gained ideally in a sales and marketing environment with a broad base of experience in those areas mentioned above. Experience of the pharmaceutical industry and the Pharmaceutical Price Regulation Scheme would be advantageous, but are not pre-requisites. Candidates will also need to display good judgement, analytical and communication skills as well as demonstrating initiative, business acumen and credibility, to make a significant contribution to the performance and profitability of the Company.

If you believe you have the required experience and drive for this exceptional position please send a covering letter with you Curriculum Vitae to our advising consultant, Jonathan Kidd at Harvey Nash Plc., 13 Bruton Street, London W1X 7AH. (Tel: 0171 333 0033). Please include a daytime telephone number, current salary details and quote reference number: HNF126.

HARVEY NASH PLC

SOLVAY

ASTON UNIVERSITY

Director of Finance & Business Services

Excellent Salary **Birmingham**

Aston University seeks to appoint an outstanding individual to direct and develop its Finance and Business Services into the 21st Century, and to ensure the efficient and effective management of its financial resources. This is a key appointment in the achievement of the University's objectives during a period when it is anticipated that there will be significant growth and diversification of income sources and expansion of student numbers.

THE POSITION
- Direct and develop in a forward-looking and responsive way Finance Department and other wholly-owned operations including Conference Centre.
- Lead 140 staff. Member of Senior Management Team, reporting directly to Vice-Chancellor. Key role in strategy for achieving growth and diversifying revenue sources.
- Represent University on external bodies; develop external fund-raising.

QUALIFICATIONS
- Wide experience in senior management role, with proven ability to think and plan strategically; appropriate financial skills and professional standing; experience in academic environment an advantage.
- Thorough understanding of effective use of IT, in wide range of strategic and financial applications.
- Excellent leadership and communications skills, with personality, experience and ability to command respect of academic and lay colleagues.

Please send full cv, stating salary, ref BP88107FT, to NBS, Berwick House, 35 Livery Street, Birmingham B3 2PB

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Finance Director

Greenwich Healthcare NHS Trust

c.£60,000 **Greenwich**

Important and challenging position in a major Trust with ambitious programme of redevelopment. Excellent career opportunity in a strategic role.

THE TRUST
- Provides a range of acute and community services to a population of some 250,000.
- Recently acquired Queen Elizabeth Hospital, Woolwich, from the Ministry of Defence. Extensive refurbishment plans to create new District General Hospital, currently considering options for private finance initiative.
- Annual income of £95m. c.3,000 employees.

THE POSITION
- Executive Board member. Contribute to corporate management of the Trust. Report to Chief Executive.
- Lead and develop the finance function. Support clinical and service directorates.
- Provide strong financial management of major capital projects. Pursue private finance initiatives.

QUALIFICATIONS
- Professionally qualified, probably a graduate, with Board level experience ideally in both the private and public sectors, including a period in the NHS.
- Strong manager with flair, imagination and excellent technical skills. Strategic perspective with devolved management style, able to make a positive contribution to corporate policy.
- Presence and authority with well developed communication skills. A team player who can make a real impact and build relationships at all levels.

Please send full cv, stating salary, ref PS60112, to NBS, 54 Jermyn Street, London SW1Y 6LX

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Finance Director Designate

Niche Service Industry

£40–50,000 + Benefits **Manchester**

Excellent opportunity to join established player at a critical time in its development. Build strong finance function and make significant contribution to future plans. Possible progression to Group Finance Director.

THE ORGANISATION
- Turnover £20m. 500+ staff. Well established leader in its field. Total Quality culture. Diverse specialisations and markets.
- Excellent management information systems subject to continual improvement and upgrading.

THE POSITION
- Lead and develop financial management. Key responsibility for financial analysis of business performance, budgeting, planning and strategy development.
- Review management accounting information. Responsibility for cashflow planning/reporting, pre-audit accounts preparation and tax planning.
- Increase commerciality of oon-finance staff.

QUALIFICATIONS
- Qualified Chartered Accouotant. Track record of running a finance function. 'Hands oo', methodical approach. Team builder. Committed and conscienoous.
- Ability to evaluate, interpret and present financial informaoon. Strong busioess/financial analysis skills.
- Able to grasp key business drivers and communicate strategy at all levels. Challeuging yet diplomatic. Keen for further progression.

Please send full cv, stating salary, ref MP5014, to NBS, Courthill House, Water Lane, Wilmslow, Cheshire SK9 5AP

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MAJOR USA INVESTMENT BANK - FRANKFURT
SENIOR CREDIT MANAGER

Our client, a major USA investment bank, is seeking an experienced (3 years +) credit manager, to take responsibility, in Frankfurt, for the firm's activities in Germany, Austria and Switzerland.

Responsibilities will include ratings advisory, capital structure, "debt-analysts" related functions, analysis of trading counterparties and assisting in the management of clients credit risk. Additionally candidates must have the ability to assume product manager responsibilities for one of the many trading products handled in Europe and become involved in a variety of broad-based risk management projects.

Educated to Degree/MBA level you will bave strong analytical skills, fluency in German/English, and good knowledge of the investment banking industry. Interested candidates should send a copy of their cv to *Ron Bradley, quoting reference no P30117* at the address below. All enquiries will be treated in strictest confidence.

Jonathan Wren & Co Ltd. No 1 New Street, London EC2M 4TP
Telephone 0171-623-1266 Facsimile 0171-626-5257

JONATHAN WREN

b a n k i n g

Price Waterhouse
EXECUTIVE SEARCH & SELECTION

Director of Internal Audit

What has the future got in store for you?

c.£50,000 Major Retailer Home Counties

About Us

It is not by accident that we have grown to become a global brand name; it has everything to do with a commitment to quality which has never faltered. We have looked long and hard at how we do business and have rationalised our operations worldwide. We are now looking for the final piece of the management jigsaw to help us drive the business forward with renewed vigour.

A New Role

The challenge of being Director of Internal Audit at such a stage in our development is a particularly enticing one, promising full responsibility for every aspect of the Audit function. Your involvement will be total – planning and overseeing audits across all aspects of the business; liaising closely with Divisional Heads and reporting to the Group Finance Director. Beyond that, your ongoing priorities will be to constantly review and refine existing control procedures and identify potential problem areas.

You . . .

. . . are a qualified accountant with at least 5 years audit experience gained in a multi-site retail environment. Alternatively, you will have done significant work for major retail chains from within the profession. You will be adept at auditing around complex computer systems, and ideally have an international (particularly US) flavour to your experience.

We Want More . . .

. . . than just the right qualifications. You will have the confidence to be credible at the highest level coupled with an honest and straightforward attitude. We do not want an empire builder or an office politician; we do want a self motivated and independent individual who believes that the term 'hands on' is more than just a cliché. Above all, you will relish the opportunity to be an agent of change, influencing the direction of a world famous brand name.

The Next Step . . .

. . . is to write to our advising consultant David Hunter quoting reference L/1611, if you feel you can meet the challenge.

Executive Search & Selection,
Price Waterhouse,
No 1 London Bridge,
London SE1 9QL.
Fax: 0171 403 5265.

LEVI'S

TREASURY MANAGER - Brussels

Excellent Compensation and International Relocation

Levi Strauss & Co is the world's largest branded apparel maker, marketing its products in more than 60 countries and with annual sales exceeding US$6billion. A privately owned company with a business vision to be 'the employer of choice', Levi Strauss & Co, is dedicated to sustained responsible commercial success.

The European headquarters in Brussels is seeking a Treasury Manager to join its established team. Reporting to the Managing Director - European Treasury Centre, this person will be involved in developing Treasury strategies to support some 40 operating subsidiaries in Europe.

The key challenges of the role will be:
- To manage the European liquidity position
- To manage the execution of foreign exchange activities
- To co-ordinate intercompany settlements
- To develop and maintain cash management systems and techniques
- To maintain close banking and internal customer relationships

The successful candidate will have a strong academic and professional background, with a minimum of 5 years in Treasury including practical experience of FX and Options dealings as well as in cash management systems and techniques, either within a Corporate or Banking environment. Equally important is a strong knowledge of banking and FX regulations, a proven track record of teamwork, excellent analytical and negotiation skills.

We are looking for individuals who are: self-motivated, creative, opportunity and risk takers, able to work within a high pressured environment, and who can flourish in the Levi Strauss & Co empowered environment.

The challenges, opportunities and rewards with Levi Strauss & Co are exceptional as is the benefits and relocation package that has been structured to attract candidates of the highest calibre. Levi Strauss & Co is an Equal Opportunities employer that actively encourages diversity in its workforce.

Interested individuals will send a Curriculum Vitae, in English, to our advising consultant Kean August on +44 171 209 0001, or by post to FSS Europe, Charlotte House, 14 Windmill Street, London W1P 2DY, UK, telephone +44 171 209 1000 for a confidential discussion.

FSS EUROPE

EUROPEAN AUDITOR

Exciting Pan-European Opportunity for German Speaker

LONDON

Competitive Salary + Benefits

With operations in 40 countries spanning Europe, America and Asia this manufacturing group has established market leadership in its core business areas. They are pioneers in their field. The development of leading edge technologies combined with focused, innovative business practices has contributed to dramatic organic and acquisitive growth.

*Based near London, the European audit team is young, multi-cultural and commercial. As a key member of this team and working closely with all levels of management, you will review operational and financial aspects of the activities in Europe with a clear focus on **Germany, Austria and Switzerland**. Trouble-shooting, systems development and special project work such as analysing business and technical accounting issues will be important aspects of this role. The successful candidate will therefore be:*

- *A **qualified accountant or equivalent** with at least 3 years auditing experience*
- *Fluent in **English** and **German**.*
- *Relishing the prospect of a multi-cultural role with approximately **40% international travel***

This represents a unique opportunity to positively impact upon the efficiency and profitability of the European business, using a consultative approach which will add value. Career prospects are excellent both in Europe and group-wide.

*Interested applicants should telephone **Robert Mecmillan** on **0171 404 5S01** Alternatively please write in confidence, stating current remuneration, quoting reference number **2188** to Nicholson International (Search and Selection Consultants), Bracton House, 34-36 High Holborn, London WC1V 6AS, or fax your details on **0171 404 8128***

NICHOLSON INTERNATIONAL UK

Australia Belgium China Czech Republic France Germany Holland Hungary India Israel Italy Poland Romania Russia Spain Turkey

FINANCIAL CONTROLLER

Circa £ 35,000 **UK - Southern Home Counties**

A major leisure-oriented consumer goods company with worldwide operations seeks a qualified accountant as Financial Controller for its UK subsidiary at a time of significant and rapid expansion within an overall European group strategy.

Reporting directly to the local Managing Director and functionally to the Group's International Controller, the newcomer will lead a team of 15 and assume full responsibility for all financial and administrative affairs which includes controlling an extensive information database and the logistics management internationally of an important product range.

The successful candidate, fluent in English and French, will hold a relevant accounting qualification and is likely to be in the 30 to 35 age range with degree level education, offering a minimum of five years exposure to management and financial accounting in a sophisticated corporate environment, preferably in a retail or distributive sector.

A significant career opportunity at international level is offered within this expanding group, together with an attractive salary package.

Please write in strict confidence to Andrew Blamey, Christopher Beale Associates Limited - 14 Queen Anne's Gate, St. James's Park, London SW1H 9AA

Christopher Beale Associates Limited
MANAGEMENT AND EXECUTIVE SEARCH CONSULTANTS
A member of Greenwich International
London Paris Madrid New York Geneva Milan Brussels

APPOINTMENTS WANTED

SWITZERLAND GLOBAL INTERNAL AUDIT FIELD MANAGER

Professional with many years varied world leaders experience (banking, leisure & airline industries). Swiss & Brit, working German & French. Currently employed in a global company with 75% travel & 25% base work from his own base in Zurich desires a more challenging role.

Write to Box A5256, Financial Times, One Southwark Bridge, London SE1 9HL.

The Top Opportunities Section

Advertise your senior management positions to Europe's business readership.

For information please contact:

Andrew Skarzynski +44 0171 873 4054

- Have you the accounting talent and professionalism to contribute significantly to a world class Internal Audit function?
- Are you a highly independent and self reliant individual?
- Do you take pride in your incisive analytical skills and keen sense of focus?
- Have you an exceptional ability for building positive relationships?
- Can you convince others where you stand on major issues and matters of principle?
- Do you take control and make it happen to the highest standards of quality and exactness?
- Are you extremely adaptable, thriving on opportunities to experience new and different situations?

INTERNATIONAL AUDITING

Operating in over 70 countries around the globe. An annual Group turnover of almost £8billion. A philosophy based on recruiting, developing and maintaining the best talent throughout the organisation. As the world's largest pharmaceutical organisation, the newly created GLAXO WELLCOME is totally committed to building its business through the excellence of its research and the talent of its people. GLAXO WELLCOME is not only a household name - but an international organisation with an unparalleled reputation for quality and innovation.

Focused on standards of excellence across our entire business operations, we are constantly reviewing our practices, procedures and systems to ensure optimum levels of effectiveness. Our recently formed International Auditing Function - a dedicated team with a truly worldwide perspective - reflects this commitment and it is here that we require exceptional talent to fill exceptional roles.

As one of our team of International Auditors, working in a non hierarchical structure and reporting straight to the Director of Internal Audit, you are a true professional whose qualities will add to the success of this key department. An experienced Auditor who understands international cultural differences, can tune into local needs and is committed to 'best practice'. You will consistently enhance practices and processes, recommending and following through key changes, thereby adding value to the operating companies' management process.

ACA or equivalent qualification is essential, together with a minimum of 4 years post-qualification international auditing and operational experience gained from within the profession and/or a commercial environment. You should have comprehensive IT audit skills and have developed a high degree of sensitivity to international cultures.

Readily able to work on your own initiative, highly self motivated and tenacious, you will be sensitive to local needs whilst ensuring that your objectives are met.

Although based in London, you must be prepared to undertake significant worldwide travel throughout the GLAXO WELLCOME organisation, often spending several weeks away from home.

The remuneration packages reflect the importance placed on these key roles which can offer outstanding career openings into the world's largest pharmaceutical organisation.

If you recognise these as the most challenging openings in International Auditing currently available, respond now by calling Tina Spong at Gallup Selection on **01932 828528 between 9.00am - 5.30pm. Monday - Friday.**

Closing date: 19th January 1996.

HEAD OF FINANCE – CENTRAL AND EASTERN EUROPE

MULTINATIONAL FMCG

LONDON BASED

TO £55,000 + EXECUTIVE BENEFITS

Our client is one of the world's leading US based FMCG multinationals, with operations in over 200 countries and turnover in excess of $8bn. The Group's success is based on a commitment to provide products and services that meet the requirements of all its customers and consumers, the first time, every time. This is achieved by continuous innovation and improvement in everything it does.

An opportunity now exists for an outstanding finance professional to head up the rapidly expanding Central and Eastern Europe Division. Based in London, you will travel extensively to these regions. Reporting to the Regional Director, your brief will be to provide an effective finance function designed clearly to monitor, control and "add value" to the business. Specifically, this will include:

- Providing positive direction to the achievements of the financial goals of the Division through the evaluation of financial and strategic plans and the review of performance
- Ensuring that the Division meets its Corporate and Statutory obligations through the maintenance of proper financial records and procedures across the specific regions
- Participating as a member of the Central and Eastern Europe senior management team in the overall direction of the Division
- Generating incremental profits through new initiatives.

Success will be judged by the bottom line effect on profit and the level of internal control achieved in acquired and newly formed businesses.

A qualified accountant, you will have gained an impressive record of achievement in a blue-chip, FMCG environment. You are young (aged 30-40), and have enjoyed a rapid career path to date. You have a genuine "feel" for business which is characterised by a down-to-earth, "streetwise" approach and have the confidence to follow your own instincts.

An attractive starting package and the potential to develop an outstanding career in a true meritocracy complete the opportunity. Interested candidates should apply to Jonathan Jones of Jones Christopher enclosing your full CV and remuneration details. Please quote JJ2667 on all correspondence.

JONES • CHRISTOPHER
FINANCIAL RECRUITMENT CONSULTANTS
4th Floor, Linen Hall, 162-168 Regent Street, London W1R 5TB. Tel: 0171 306 3302 Fax: 0171 734 6280

Senior Internal Auditor

The Internal Audit Directorate at the Ministry of Defence, Sultanate of Oman is seeking a Senior Internal Auditor. The post is offered on accompanied contract for an initial period of 2 years, renewable annually thereafter by mutual agreement.

Based at the HQ MOD in Muscat, you will visit military establishments throughout the sultanate, undertaking systems-based internal audit functions for the Ministry of Defence and the three Services, including the 'FES'. Duties will also involve the training of Omani Auditors.

The Internal Audit Directorate makes a recognised and valuable contribution to the Ministry. It is in the process of revising its approach in order to provide a more responsible service to all levels of Command/Management, the successful applicant will contribute towards these exciting developments.

Preferably under 50 years of age, you will be a qualified Accountant with at least 7 years diversified internal audit experience at a senior level.

Terms of service include annual pay in Omani Rials equivalent to Pounds Sterling £24,917 and annual transport allowance of £3,190. There is an end of contract gratuity of 20% of the total pay received (pay, allowance and gratuity are TAX-FREE and fully remittable world-wide). In addition an attractive benefits package includes 60 days annual leave with 2 return flights home for self and eligible family, free fully furnished air-conditioned accommodation and utilities, free medical care and first class recreational and sport facilities.

To apply, please write with a detailed CV, quoting reference number MOD/002 to: The Recruiting Officer (L), Military Attachés Office, Embassy of the Sultanate of Oman, 64 Ennismore Gardens, London SW7 1NH.

Closing date for receipt of applications: 2 February 1996. Interviews will be held in London, week commencing: 18 March 1996.

MINISTRY OF DEFENCE
SULTANATE OF OMAN

Young Chartered Accountants

to provide strong systems project skills coupled with first class communication abilities

Our client is an independent well established investment management Group with a substantial retail base as well as institutional business.

We are looking for two bright, ambitious Chartered Accountants, probably in their mid to late twenties, to take responsibility for the enhancement of current systems, focusing on the needs of customers, both internal and external. It follows that we will prefer candidates with a project orientation, ideally but not exclusively within the financial services industry. Crucially, however, we will be insisting on strong communication skills emphasising the need to relate to differing personalities at all levels within the organisation.

Creativity to produce sophisticated solutions, determination to drive enhancements through and subtlety to ensure smooth transitions are all important facets of the positions.

These posts are seen as grooming and testing potential management and as such career opportunities are first class. Meanwhile the salary and benefits package is unlikely to disappoint the best.

Please send a full CV, including current salary details and quoting reference A328O to **Malcolm Lawson at Codd Johnson Harris, Human Resource Consultants, 12 New Burlington Street, London W1X 1FF.**

CJH Codd • Johnson • Harris

APPOINTMENTS ADVERTISING

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday

For further information please call:

Andrew Skarzynski on **+44 0171 873 4054**

Toby Finden-Crofts on **+44 0171 873 3456**

Robert Hunt on **+44 0171 873 4059**

FINANCIAL ANALYSTS (India)

Based Bangalore **Highly Attractive Package**

Our client is one of India's most successful and entrepreneurial multinational groups engaged in Spirits, Brewing, Engineering, Pharmaceuticals and Petrochemicals with the majority of its operations in emerging markets. The group has an aggressive and ambitious growth strategy and this is a unique opportunity to join the Spirits Division's dynamic Finance team.

The Positions

- ◆ Support growth through improved financial planning and analyses for a variety of business sectors.
- ◆ Analyse financial and business information and prepare incisive reports on operating performance.
- ◆ Undertake capital investment appraisals, competitor analysis, interpret market trends and business reviews and present findings and recommendations to management at senior level.

The Person

- ◆ Ambitious Graduate Accountant/MBA aged 27-35. Financial planning and analysis experience with entrepreneurial and business flair.
- ◆ Strategic thinker. Excellent analytical and interpersonal skills are essential, along with the self confidence to challenge and influence at senior levels.
- ◆ Commercially astute and self motivated. Confident team player with hands on approach.

Interested candidates should write with a CV quoting reference FA552, stating current and expected earnings to, Mr Vinit Vedi at Withey & Vedi, Status Park Four, Bath Road, Heathrow, Hayes, Middlesex UB3 5EY Tel: 0181 754 1133 or Fax: 0181 754 0638

Withey & Vedi
Consultancy • Search • Selection

My client is an international leading Telecommunication and Information Company. The continuous growth of the company is the challenge of tomorrow. The given environment creates an outstanding opportunity for an ambitious

Corporate Accountant

The requirement is for an ACA, ACCA or CIMA with two to four years post qualification experience in an international company - preferably in a similar function in Finance and Controlling or with an international Audit Company.

YOU are a 'generalist' with sound experience in the consolidation of companies financial statements, financial analysis and in preparing financial statements to accordance with IAS.

YOU are looking to join a dynamic young team and bring with you excelleot communication skills and familiarity with commonly used PC software.

As YOUR place of work would be in the area of Bonn - Köln/Germany, competence in the German language is expected.

Please send your CV, quoting current salary to...

CC
BERATUNG FÜR FÜHRUNGSKRÄFTE

CZWALINA CONSULTING
INZLINGER STRASSE 65 CH-4125 RIEHEN
TELEFON (00 41) 61/641 16 50 UND 641 16 21 FAX 61/641 60 19

Group Finance Manager

S.W. London **£40,000 + car + bonus**

Our client is an exciting industrial plc with a superb performance record achieving year on year growth both organically and by acquisition. The Group holds dominant positions in the markets it serves and has tripled the level of activity, to c£200m, over the last four years, aiming to continue such growth and development through its base of strong core businesses.

A key element of this development is to now appoint a Group Finance Manager who, based at the Corporate Headquarters with the small but high calibre management team and reporting to the Chief Financial Officer, will have three prime areas of responsibility:

- group accounting, statutory accounts, budgets, forecasts and the provision of management information for the Board
- to upgrade the group's computerised financial reporting system
- to exercise group financial control over operating subsidiaries

Candidates for this challenging role should be qualified chartered accountants, aged early 30's, with first class accounting and PC skills coupled with excellent inter-personal abilities. Furthermore an enthusiastic and pragmatic approach are pre-requisites as the successful candidate will be working and liaising at all levels within this progressive group.

Please write enclosing your full curriculum vitae quoting ref 643 to: Philip Cartwright FCMA, Cartwright Consulting, 3 Wigmore Place, Cavendish Square, London W1H 9DB Tel: 0171 371 9476 Fax: 0171 371 9478.

CARTWRIGHT CONSULTING
FINANCIAL SELECTION & SEARCH

INTERNATIONAL INSTITUTE OF TROPICAL AGRICULTURE

POSITION ANNOUNCEMENT - HEAD OF INTERNAL AUDIT

Due to an internal promotion, the International Institute of Tropical Agriculture (IITA), based in Ibadan, Nigeria, and with a mandate for agricultural research in sub-Saharan Africa, seeks a suitable candidate to head its Internal Audit Unit, with a staff of four.

IITA is one of the nonprofit, international agricultural research centers in a worldwide consortium sponsored by the World Bank, the Food and Agriculture Organization (FAO) of the United Nations, the United Nations Development Program, and over 40 contributing donor countries and institutes. IITA's headquarters, situated on a 1000 hectare campus on the outskirts of the city of Ibadan, comprises research laboratories and experimental fields, excellent housing and recreation facilities, an international school for children up to the age of 12, and good communication and transportation infrastructure. Salary and benefits are internationally competitive, free of Nigerian income tax, and include a personal car, support for education of children, annual home leave travel, and health service and insurance.

IITA stations and research sites are located throughout sub-Saharan Africa and as a consequence the successful candidate will be required to travel frequently. Fluency in both written and oral English is essential, and a working knowledge of French is desirable. Previous international experience, particularly in a developing country, would be considered an advantage.

A professional certification (CA, CMA or CPA) and a minimum of 10 years accounting/auditing experience is essential. Ideally, candidates will have worked in a variety of organizations and possess broad-based experience of assessing management issues, encompassing operations as well as financial statement preparation/review. Accounting software running on DEC Alpha machines, as well as a large PC network, will necessitate good computer systems knowledge.

Applicants for this position are invited to send their curriculum vitae, the names and addresses of three professional referees (including telephone, fax and email numbers), before 31 January, 1996, to

Dr. Lukas Brader
Director General IITA
c/o L.W. Lambourn & Co.Ltd.
Carolyn House, 26 Dingwall Road,
Croydon, CR9 3EE, UK.

or

Dr. Lukas Brader
Director General IITA
c/o CIAT-Miami,
P.O.Box 025443,
Miami, F1.33102, U.S.A.

Price Waterhouse
EXECUTIVE SEARCH & SELECTION

Group Finance Director (Designate)

Major Leisure Based plc in North East

c.£100,000 package

About Us

We are a broad based hospitality business acknowledged for delivering excellent value for our products and services. Our strategy has been to diversify into developing new leisure associated businesses. This has been successfully achieved with the net result that these activities now account for fifty per cent of our business. We are committed to improving quality of life among our customers, and our aim is always to meet and exceed our customers expectations. We are well respected in the City as much for the things we have not done as those we have achieved.

Our Future

. . . is bright. With a turnover well in excess of a quarter of a billion we are well placed to move forward in markets which are projected to grow over the next decade. Exploitation of these markets will require a high degree of flexibility in extremely competitive conditions. We are a financially strong group. What we need now is an outstanding Group Finance Director.

Our Style

Direct, open and hands on. We are a practical professional management team working in Group Headquarters. We are focused on providing excellent service and value to our customers. We are not afraid of change, or innovation (and what we have achieved over the past few years demonstrates this). We develop our people, as we know that it is teamwork which will ensure we succeed.

The Role

Typical for a Group Finance Director with a substantial plc. It combines financial responsibility with the opportunity to make a real contribution to the management of the Group and liaise with the investors and city representatives. This is a role which can be taken beyond the processing of numbers. We are looking for someone with a highly proactive approach who understands the added value they can bring to running a business of this scale.

You

. . . are likely to be a Chartered Accountant and will certainly have reached a senior level in financial management either in a manufacturing or service based industry. You will be hungry to progress, confident of your own ability to confront and champion issues with tact and charm. You will have operating experience and are also likely to have worked at the centre of a plc. Alternatively you may be the Finance Director of a substantial division. Your style should be creative and innovative – rather than pedantic. You will have a 'hands on' style, be highly IT literate and our mix of businesses will excite you.

Next Step

Please write to our advising consultant Jenny Mayes, quoting reference G/0074, at the address below. Alternatively if you would like a discreet conversation about the role, please call her on 0121 200 3000.
Executive Search & Selection,
Price Waterhouse,
19 Cornwall Street,
Birmingham B3 2DT.

Price Waterhouse
EXECUTIVE SEARCH & SELECTION

Finance Director Designate

c.£45,000 Package St Helens

This family owned business is a worldwide leader in its field with representation throughout Western and Eastern Europe, the Americas and the Far East. Providers of high quality technical services to commodity traders, mining companies, governments and metallurgical consumers, the group has expanded in terms of sector and geography throughout the past 10 years. The shareholders plan to continue this development, building on a reputation for quality, leading edge technology and a strong sales presence whilst preserving an informal management style and freedom from external interference.

Having ensured financial security and robust accounting systems, the current Finance Director plans to retire in the foreseeable future and the search has begun for his successor. This is a commercial position with responsibility for detailed personnel, legal, insurance, banking and international trade matters in addition to traditional financial duties. Credit management, the financing of capital and project expenditure and continued improvements in management information are key elements of the role. The quantification, control and management of business risk is the ultimate objective.

You are likely to be 40+, a qualified accountant and you are familiar with the demands of a family business. You have considerable international experience – ideally including Eastern Europe and/or the Far East – and you have worked in a sophisticated group structure. You have a good understanding of service industry and you can control a complex sales ledger. Above all, you are a commercial finance manager of sound judgement. You understand what makes your business tick and you have been able to contribute to a wide range of business decisions.

Write with full CV and remuneration details, quoting reference D/0073, to Mark Hartshorne at:
Executive Search & Selection,
Price Waterhouse,
19 Cornwall Street,
Birmingham,
B3 2DT.

City of Westminster
An Equal Opportunities Employer

Price Waterhouse
EXECUTIVE SEARCH & SELECTION

Head of Finance & Support Services

Chief Officers' Board Appointment with high profile city council

c.£60,000 + car + benefits London SW1

About Us

What can we tell you about us that you haven't already read? Unless you have worked with us, you won't know what lies behind the headlines. In short, Westminster is a dynamic, innovative organisation, often attracting media attention.

Our style

We encourage a direct, open and honest management style. We are fast moving – too fast for some! We believe in delegative decision making and look for solutions to be generated from below rather than dictated from above. We expect people to make an active contribution to debate which, at this level, means contributing to the corporate working of the Council on the Chief Officers' Board.

A New Post

The creation of this post is the result of a major reorganisation of the Council – something the new incumbent will be expected to make a major contribution to. This is a key post, responsible for the effective management of the corporate finance function embracing financial strategy, corporate accountancy, revenue collection, insurance, borrowing and investment. It also involves managing and developing personnel, property and IT support services. In total, this means the control of Council revenue well in excess of £1 billion.

About You

A qualified accountant, you may have a background in the private or public sector – a combination of the two would be of particular interest. Alternatively, you may have worked in consultancy. You will already have a track record of financial and people management in a complex environment and have successfully delivered organisational change, but you now feel ready for more. You are hungry, striving to progress, looking to make a greater contribution on a bigger stage – perhaps you see yourself as a Chief Executive of the future.

Your Next Step

Call Price Waterhouse's information pack line on 0171-939 4141 (24 hour answerphone) for further details. If you would like an informal or confidential discussion about this appointment, call our advising consultant Michael J Phillips on 0171-939 5929. Please quote reference M/1615/FT.

Executive Search & Selection,
Price Waterhouse,
No 1 London Bridge,
London,
SE1 9QL.
Fax: 0171-403 5265.

GROUP ACCOUNTANT

Major Strategic Change

West/South West London

£30 - £35,000, Car, Benefits

A multi-national blue chip Group, our client is a leading brand name in the provision of consumer goods and services with operations in the UK, Continental Europe, North America, Australasia and the Far East. As a result of a major reorganisation, driven by exciting strategic change, this role has arisen at its head office.

As a key member of the Group financial reporting team, you will have substantial involvement in:

- All aspects of Group reporting including consolidations and analysis for external reporting.
- Preparation and analysis of the monthly management reports for the Board and senior management.
- Liaison with business units on financial data and plans.
- Ad hoc projects including acquisition and disposal accounting, systems development and technical issues.

These responsibilities are unusually broad and involve exposure at the highest levels. You will therefore be a recently qualified ACA, preferably trained within a Big 6 London office, with excellent technical skills as well as a good business perspective.

A team player, who is committed and energetic with a good sense of humour, you must be a self-starter with well-developed time management skills. PC skills, an attention to detail and an ability to work to tight deadlines are vital. The opportunities within this young team are significant but the demands will be equally great.

Interested candidates should write with full CV, quoting current rewards package, to Karen Wilson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY. Tel: 0171 430 9000. Fax: 0171 405 5995 quoting ref: HKW/14016/FT.

Hoggett Bowers
EXECUTIVE SEARCH & SELECTION
THE PSD GROUP

FINANCIAL PLANNING & ANALYSIS

North London

Up to £40,000, Car, Benefits

A major force in its area of consumer goods, our client now requires a young, commercial Accountant for this high profile opportunity.

Reporting to the Group Financial Controller, the successful candidate will serve as the prime agent of review of the US subsidiary. Specifically you will:

- Review strategy and targets as well as the US trading environment and the relative performance of competitors.
- Analyse all aspects of budgeting and forecasting in addition to interpreting sales, margin and cashflow reporting.
- Develop board reporting of key operational issues.
- Provide added value services and thereby assist in driving the business forward.

A qualified Accountant with a broad financial management background, as well as strong financial planning and analysis experience, your commercial acumen must be one of your greatest assets. Your personal credibility will be a reflection of your sharp business mind and your strong relationship building and influencing skills.

You will have worked in a fast moving, preferably international, environment and you will have the high levels of stamina and the enthusiasm required for this challenge.

Interested candidates should write with full CV, quoting current rewards package, to Karen Wilson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY. Tel: 0171 430 9000. Fax: 0171 405 5995 quoting ref: HKW/13849/FT.

Hoggett Bowers
EXECUTIVE SEARCH & SELECTION
THE PSD GROUP

FINANCIAL/SYSTEMS ACCOUNTANT

West/South West London

£35,000, Car, Benefits

Our client, a £1.5bn turnover Group and a leading brand name in the retail sector, operates in 20 countries worldwide. As a result of a major reorganisation, driven by exciting strategic change, the following role has arisen at its Head Office.

Specifically you will be involved in a combination of systems and project work including:

- Implementation and maintenance of a new consolidation and management reporting system.
- Development and implementation of best practice operating procedures throughout the Group.
- Maintenance of ongoing financial reporting systems.
- Ad hoc projects associated with the significant change programme.

In addition you will be a key member of the Group reporting team responsible for both external and management reporting.

To respond to the above and develop within the organisation you will be a qualified Accountant with a strong technical and academic background. Broad systems experience and knowledge of multi-currency consolidation systems are essential. You will be flexible, confident and enthusiastic with excellent communication skills, possessing an easy ability to work well both within a team and on projects allocated specifically to you. Excellent opportunities will exist for further career development.

Interested candidates should write with full CV, quoting current rewards package, to Karen Wilson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY. Tel: 0171 430 9000. Fax: 0171 405 5995 quoting ref: HKW/14017/FT.

Hoggett Bowers
EXECUTIVE SEARCH & SELECTION
THE PSD GROUP

FINANCE MANAGER

Dynamic Growth

London/Kent

c£45,000, Car, Bonus

Our client is a rapidly growing division within a major multi-national UK plc whose products and services enjoy a high profile reputation worldwide. This rapid growth division (turnover c£250 million) is itself a profitable market leader. To support future growth and development this exciting role has arisen.

Your objectives will be to:

- Develop and maintain all Financial Accounting systems and reporting (including international and trans-border issues).
- Restructure and develop the Management Accounting function.
- Provide key input in terms of driving the business forward.
- Interface with the Strategic Business Planning and Commercial functions.

To perform and develop the role you will be a Qualified Accountant (probably, but not essentially, an ACA) with a high level of technical knowledge and good team leadership skills. You will possess a high degree of energy, enthusiasm and commercial acumen, and will be able to positively challenge both current practices and proposed plans, gaining the confidence of other divisions and senior managers.

Interested candidates should write with full CV, quoting current rewards package, to Karen Wilson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY. Tel: 0171 430 9000. Fax: 0171 405 5995 quoting ref: HKW/14054/FT.

Hoggett Bowers
EXECUTIVE SEARCH & SELECTION
THE PSD GROUP

MANAGEMENT

JOHN KAY

A question of clarity and certainty

Don Cruickshank, the telecoms regulator, has proposed that the licences of BT (and other telecom companies) should be modified to include a general prohibition on anti-competitive behaviour.

This proposal is strongly resisted by BT, which argues that practices that cause concern should be the subject of specific prohibitions. These would be inserted in the company's licence, subject to a right of appeal to the Monopolies and Mergers Commission.

The parable of BT's dress code deserves to be more widely told. After privatisation, the company decided it was time to shake off the sloppy dress habits of the public sector. A directive went round telling senior employees that they should adopt suitable business dress.

The directive caused some resentment. Those who opposed it demanded greater clarity and certainty. When they went to the wardrobe in the morning, how could they know what would represent suitable business dress.

After advice from its legal and regulatory affairs department, the company agreed to promulgate a dress code. Senior male employees were expected to wear smart suits, shirts with collars, and ties. It was not long before someone came to the office in a red suit. When criticised, he pointed to the terms of the dress code. The suit was undeniably smart: but it was the smartness of a nightclub rather than a boardroom.

So the dress code had to specify colour. Red was out, grey was in. But what of blue? Some blues were clearly acceptable. The chairman's favourite suit, in fact, was a fetching shade of navy. But bright blues could not be admitted. So how bright was bright? BT research came up with the answer. Brightness is determined by how much light a fabric reflects. A machine could measure this, and one was soon constructed and installed in the reception areas.

But ties posed a more intractable problem. It was simply impossible to define which colours and motifs were acceptable. A clearance procedure seemed the best answer. Anyone who bought a new tie could submit it to the dress code department, which had 42 days to rule on whether or not it was suitable business dress.

This was difficult, since the appropriateness of a tie might depend on the context – the suit and the shirt that went with it. So decisions were rather conservative. This raised the issue of an appeal mechanism.

Delegating discretion over approval of ties to the dress code department made it judge and jury in implementing regulations it had devised. But this violated natural justice. The company agreed that a small group of senior directors, with an independent fashion adviser, would hear complaints from employees who felt their ties had been unreasonably rejected.

The world is rarely clear, and if it seems so today it will have ceased to be so tomorrow

But there was the more general problem of changing fashion. After all, it was not so long since every gentleman had gone to work in a wing collar and frock coat. Not only were other forms of dress now acceptable, but wing collars had probably ceased to be acceptable. Not the image of a modern information company. A well-known fashion designer agreed to chair a standing working party to advise the company on fashion trends.

By this time, the dress code extended to 50 pages, largely impenetrable. No sensible employee read it, and when they were given a copy they were told that if they only behaved sensibly they would probably be all right. Knowledge of its contents was confined to the dress department, which by this time consisted of 20 people, mostly lawyers, the union representative who negotiated over it, and a few cranks who enjoyed pointing out inconsistencies and anomalies in the code.

Eventually a new management came in, determined to sweep the dress code department away. They quickly realised there were two alternatives. One was to supply a uniform to all employees. This was obviously an intolerable interference in personal affairs.

The other was to sweep away the dress code and renew the instruction to everyone to wear suitable business dress. If anyone was in genuine doubt as to what constituted suitable business dress – and not many people were – they were advised to have a word with the dress regulator. He had been given this role precisely because of his sound judgment and range of business experience. What the regulator said bound no one, but to ignore his advice was injudicious and might prejudice advancement in the company.

The demand for clarity and certainty in regulation has great superficial plausibility, and it is because it is difficult to argue against clarity and certainty that it is best to resort to a parable. The world is rarely clear and certain, and if it seems so today it will have ceased to be so tomorrow.

It is no more possible or sensible to give an exhaustive description of what constitutes anti-competitive behaviour than to give an equivalent description of suitable business dress. When is it competitive and when is it predatory to charge a low price? Or different prices to different customers?

In both cases, you can exemplify things that are, and illustrate things that are not. But what you are trying to promote is an attitude and a style of behaviour. For those who understand that, formal rules are irrelevant: for those who do not, they have very little value.

The demand for clarity and certainty comes from two sources. It comes from naive people who do not realise that effective regulation which eliminated discretion would ultimately lead to intrusion into every aspect of business life. And it comes from those who are very far from naive, and who understand that the sheer impracticality of what they seek would emasculate regulation in interminable legalism.

In the driving seat: Marianne Nilson, newly appointed managing director, with her father and company founder Knut Jacobsson

Family planning

The succession issue was solved for a Swedish lift-truck maker by the founder's daughter, writes Andrew Baxter

For entrepreneurs who have built a successful family-owned business from scratch, handing over control to someone else can be fraught with difficulties.

Is there a son or daughter willing or able to take on the job? If not, is there a manager who can take over, or should an external appointment be considered? Should a different form of ownership be considered, and what would the implications be for the family's stake?

Earlier this month, Ingvar Kamprad, Swedish founder of Ikea, disclosed that he did not want any of his three sons to become chief executive of the furniture store chain because of the risk that disputes between them could damage the business. "They accept my reasoning," he said.

In contrast Atlet, a lift-truck producer based near Gothenburg, is pinning its hopes on "keeping it in the family". Last year, Marianne Nilson, 34-year-old daughter of company founder Knut Jacobsson, was appointed managing director – just seven years after suggesting to her father that she should take more interest in the family business.

The appointment sparked intense interest in Sweden because of the rarity of such a senior appointment for a woman anywhere in European engineering, let alone in Scandinavia. It also showed that solutions vary to the problems of succession.

Atlet's history bears many of the hallmarks of the typical European engineering company built from nothing by one entrepreneur/manager/technician. "The culture of Knut is in between the walls here," says Nilson.

Jacobsson founded Atlet in 1958 without capital, products or organisation. He even purchased his first components with money his wife Rajnvi had saved to buy a scooter.

Mrs Jacobsson never got her scooter, but in the past 38 years Atlet has been transformed. What began as a producer of a handful of pedestrian and ride-on stacking trucks has become Europe's fourth-largest supplier of warehouse lift-trucks with projected sales for 1996 of SKr1bn (£100m). It remains fully owned by Jacobsson and his family.

Success has resulted in large part from the characteristics often seen in small to medium-sized engineering companies, such as good product design and development. Atlet has also developed a manufacturing process that allows virtually every lift-truck to be made to order.

Nilson is the third of five sisters – the others are a dentist, a doctor, a psychologist and a teacher. It had never been intended that she would join Atlet but, she says: "I had been selling pharmaceuticals, so I thought 'Why not sell lift-trucks instead'."

According to Nilson, her father had not thought much about the succession issue until she suggested early in 1988 that she might join the company. Coincidentally, around this time Atlet's board of outside directors had begun talking to Jacobsson about the succession, and in 1991 the founder and his wife attended an IMD seminar in Lausanne on how family-owned companies can address the issue of succession. "It enabled them to see how other companies have handled the issue," says Nilson.

Atlet spent some time looking at how other Swedish family-owned companies, including Ikea and Tetra Pak, the packaging producer, coped with their succession issues, but the lessons were limited, says Nilson, by the fact that the industries and markets were so different.

She dates her active involvement with Atlet from 1988, when she began a business administration degree course, but she joined the company in a full sense only in 1992. She worked at first on a components supply project before becoming export manager and then marketing director.

In November 1994, Nilson was named managing director-designate, and took on the role fully last April, when her father, now 72, became chairman of the board.

Nilson's rise through the company has been remarkably quick, and she admits it may have been better if the succession process had been decided 10 years earlier.

She is not unique in taking on the managing directorship of an engineering company so young – Sir Anthony Bamford, for example, was 30 when he became managing director (and later chairman) of J. C. Bamford Excavators (JCB), albeit after a longer period working in various roles at the UK construction equipment manufacturer.

Moreover, Nilson stresses, her appointment was not automatic, and she has had to prove herself.

As a family member, however, she did have one clear advantage. Although there were inquiries from outsiders interested in the managing director's job, Atlet did not consider an external appointment seriously. "In a medium-sized company that is completely family-owned, it would have been a difficult position for that person," says Nilson.

She suggests that one way for family-owned companies to cope successfully with the succession issue is to have a "good, valid business idea". Atlet, for example, has stuck rigidly to its mission of increasing the efficiency of its customers' internal materials handling – resisting the temptation even to produce lift-trucks for external use.

The role of the non-executives was also important, and not only for prodding Jacobsson to think about the succession. As they did not know her, they took some time to be convinced she was the right person for the job, and provided a foil to Atlet's family council – Jacobsson and his five daughters. The other sisters, two of whom are married to Atlet employees, supported Marianne's push for the top.

It has also been important for Atlet to strike a balance between achieving continuity – in management policy and culture – and accepting the need for change because personalities vary.

Nilson has been careful not to take on too much at once. She is not an engineer, and sees that it makes sense for her father to keep overall control of product development. "That's his baby," she says.

In other matters, Nilson is in control on a day-to-day basis, although she admits she would clear any big changes with her father and she will delegate more than he did, especially on technical issues.

Employees, in turn, are having to adjust, says Lars Gustafsson, marketing manager. "They are realising that they cannot always delegate upwards, as they used to with Knut. They have to take more responsibility."

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 12.01.96 — Pool purchase price £/MWh	Final Prices for Trading on 10.12.95 — Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.02	26.98	27.09
0100	25.95	26.98	27.09
0130	25.95	45.50	45.63
0200	25.95	45.50	45.63
0230	21.18	31.65	31.78
0300	12.72	31.65	31.77
0330	12.72	26.96	27.08
0400	12.72	26.96	27.09
0430	12.72	26.98	27.09
0500	12.72	41.89	42.01
0530	8.96	44.54	44.66
0600	8.95	29.29	29.42
0630	8.95	29.29	29.42
0700	9.04	29.51	29.67
0730	22.88	33.24	33.62
0800	23.02	35.82	38.65
0830	26.90	44.45	45.74
0900	28.97	47.38	49.26
0930	27.04	51.19	53.34
1000	39.11	51.42	53.59
1030	39.11	60.08	52.02
1100	27.09	46.52	48.22
1130	39.09	42.15	43.75
1200	39.09	41.47	42.85
1230	39.04	38.18	40.33
1300	38.62	35.59	36.38
1330	36.57	34.08	34.51
1400	35.88	31.56	31.88
1430	25.27	31.60	21.80
1500	23.22	31.45	31.74
1530	23.22	32.57	33.19
1600	23.31	60.50	68.77
1630	34.73	158.81	187.03
1700	60.58	284.21	328.89
1730	69.67	322.15	365.05
1800	66.60	255.11	289.22
1830	48.56	144.11	163.49
1900	34.05	73.00	80.68
1930	31.01	48.24	51.04
2000	23.26	36.84	37.39
2030	22.88	30.91	31.10
2100	15.04	30.23	30.36
2130	13.22	30.22	30.35
2200	13.10	30.21	30.34
2230	8.96	26.29	26.42
2300	8.94	12.07	12.19
2330	8.94	12.07	12.19
2400	8.93	12.07	12.19

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices [illegible]. Energy Settlements and Information Services Limited

ARTS

Britain takes on Broadway

Alastair Macaulay discusses the two-way theatre traffic across the Atlantic

Anyone who watches theatre in both New York and London will be aware of the intense two-way correspondences between the two. Virtually any Arthur Miller premiere will be produced in London very soon after its American opening; and, a little later, any Sondheim too. The off-Broadway success of *Three Tall Women* in February 1994 promptly led to the West End production of the same play with Maggie Smith. And so it goes. Terrence McNally's gruesome but popular star-vehicle *Master Class* is one of the latest American candidates for the West End.

But it is especially fascinating to watch New York productions of spoken plays whose original British productions you have watched in London. During 1995, I caught no less than four New York stagings of plays or productions that had started life at London's National Theatre: in June, the Lincoln Center *Arcadia* and the Broadway *Indiscretions* (i.e. *Les Parents Terribles*); in December, the Lincoln Center *Racing Demon* and the Off-Broadway *Mrs Klein*.

Tom Stoppard's *Arcadia* and David Hare's *Racing Demon*, although presented on the thrust stage of New York's Vivian Beaumont Theatre amid a semi-circular auditorium, were both restaged by their original directors, Trevor Nunn and Sean Mathias, and remained very close to their original National Theatre productions. Both plays are so thoroughly English that a high proportion of critical scrutiny has focused on the quality of the actors' English accents. On the other hand, theatre at Lincoln Center has so Anglophile an audience that a great deal of interest is virtually guaranteed for these productions.

The main event of the New York *Mrs Klein* is that its title role is played by Uta Hagen. Called "the queen of off-Broadway", Hagen is chiefly known in Britain for her books about the art of acting and for her 1964 performance here as Martha in Edward Albee's *Who's Afraid of Virginia Woolf?*, a role she had created in New York in 1962. Her distinguished New York career, including major roles by Shakespeare, Turgenev, Chekhov, Bernard Shaw, Clifford Odets, and Tennessee Williams, spans back to 1937.

Her Melanie Klein was among the most skilful, subtle, and potent performances I have seen in the American theatre. Yet about half of it felt less like Mrs Klein than a master-class in Great Acting. Her pacing abounded in virtuosic transitions of tone that did not always ring true; and her gestures were often more outsize than her vocalisation. Laila Robins, as her daughter Melitta, and Amy Wright, as her apprentice, were very fine in the other roles; the sure direction was by William Carden.

Since the Lucille Lortel Theatre is small, I was shocked to find that Hagen, like all too many American actors, allowed herself to be miked. Hagen's most famous book is called *Respect for Acting*. Acting without microphones – something increasingly rare in New York theatre – would be a good way to show respect for audiences.

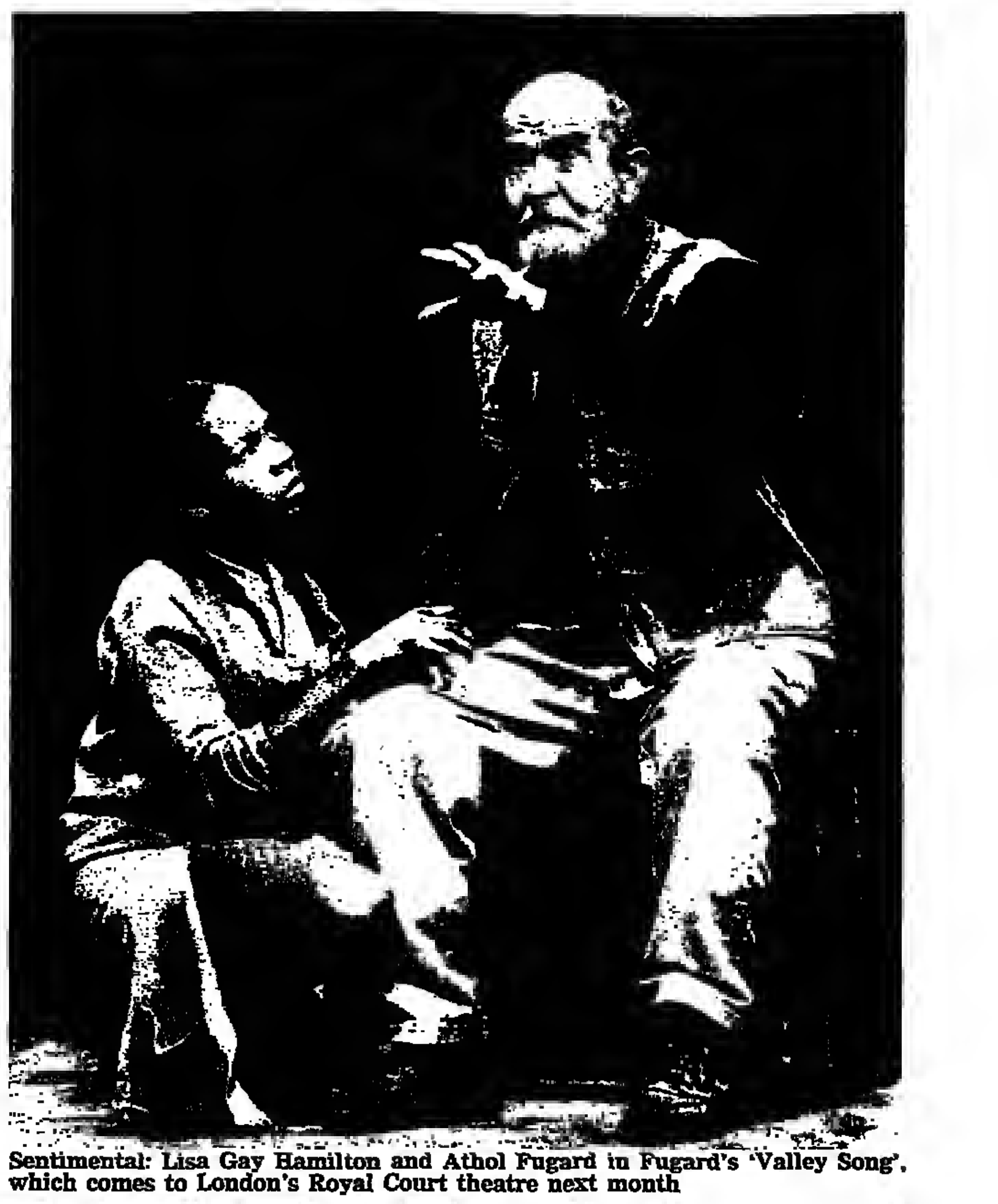
Obviously *Arcadia* was the kind of new English play that New York should see. Though England is its setting, Stoppard's material constantly transcends that. Trevor Nunn's staging, despite some major blips of casting and accent, recaptured the internal dynamics of the play with more freshness that any rendition of the play since the original National Theatre cast. *Racing Demon*, however, is a play more exclusively English in its interests. Several scenes about the problems facing the Church of England seemed, in New York, at best of minor interest; and Richard Eyre's direction allowed these passages to flag. Some of Hare's writing sounds distinctly creaky now: notably the various solo addresses to God and the big Act Two scene between Tony and Stella.

Nonetheless, Josef Sommer played the leading role of the Rev. Lionel Espy with such fine humanity that he eventually showed the play's strengths. By the end, *Racing Demon* started to feel like a late-20th-century counterpart to the Church of England drama that Trollope makes so enthralling in *The Warden*: the ecclesiastical protagonists's crisis of conscience, the secular and religious ambitions and practises of his colleagues, the importance of their various womenfolk. It will be remembered that David Hare some years ago announced that his plays would no longer be performed in New York while Frank Rich was drama critic of *The New York Times*; this production demonstrates that, in the era of theatre-life-after-Rich, Hare has now dropped his embargo.

Meanwhile, Athol Fugard was directing and acting in his own new play *Valley Song*, which he will bring to London's Royal Court in February. This tale of an old coloured farmer and his granddaughter, who can sing and wants to develop her talent in the big city, is much the weakest work of Fugard's I have seen, slow and repetitious. The intimate setting at the small Manhattan Theater Club at City Center only worked against it. Fugard and Lisa Gay Hamilton put across this fragile and sentimental piece to the nearby audience as if it were a lecture-demonstration for schoolchildren. It is hoped that this case-study of the socio-political climate of South Africa today will appear less earnest and more brisk when it reaches the Royal Court.

The Circle in the Square Theatre – which in February visits Glasgow with Elizabeth Ashley in Tennessee Williams's *Suddenly Last Summer* – revived Philip Barry's 1928 *Holiday*, and reminded its audience of the craftsmanship and charm of a bygone period of American playwriting. Barry's other plays include *The Philadelphia Story*; and, like that, *Holiday* is best known from its film version starring Katherine Hepburn (who understudied the original stage production) and Cary Grant.

In the theatre, *Holiday* plays beautifully. It is a period piece, in which the hero is torn between the establishment Park Avenue capitalist values of his fiancée's father and the bohemian sympathies of her elder sister. Written with wit and feeling, *Holiday* must once have seemed more harmless than it does today. But the pacing and elegance of David Warren's staging are perfect. Though Laura Linney shouts, in a brittle sub-Hepburn performance, as the heroine, Tony Goldwyn's hero is a completely fresh performance; Rod McLachlan and Michael Countryman are excellent in supporting parts; and Reg Rogers is outstanding as the heroine's hopeless and bibulous brother Ned. Rogers's performance is not only the most evocative of the play's period, but also the most multi-faceted, uttering with ideal simplicity several lines that are at once hilarious and poignant. Barry's *The Philadelphia Story* once provided the young Fiona Shaw with a superb vehicle: a British revival of his *Holiday* would be no bad idea.



Sentimental: Lisa Gay Hamilton and Athol Fugard in Fugard's 'Valley Song', which comes to London's Royal Court theatre next month

A voice to the melody born

Andrew Clark talks to the Austrian singer, Wolfgang Holzmair

When Wolfgang Holzmair steps onto the platform of the Wigmore Hall next Friday, there will be a mood of high expectancy in the audience. Holzmair is increasingly regarded as one of the great interpreters of German *Lieder*, and his London recitals are events to be cherished. What most of his audience will be unaware of is that, before his appearance, Holzmair will have been sitting alone in silence backstage, shutting himself off from all thought of the music he is about to sing.

"It's a bit like yoga", says Holzmair, a mild-mannered Austrian. "The aim is to cast off the inessential, to stop thinking of the opening song. My concern is not 'Is everything OK with my voice?'. It's more, 'Can I communicate?'. The only way to do so is to empty my mind of thoughts. I immediately sense whether or not an audience is concentrating, and it depends largely on my own concentration."

Holzmair gives the impression of being totally absorbed in and by the music. He sings from the heart in a spontaneous way, as if each song is a private self-communing. The key to his artistry is the way he marries the text to the music. The anguish of lost love, the sense of pathos, the suppressed rage at the vagaries of fate – all are conveyed with the subtlest inflections of tone-colour.

Holzmair's voice is a high baritone with a French timbre, known as a *baryton Martin*. The contrast with German baritones of the Fischer-Dieskau school is striking. Where they sing with a hard Prussian sound, Holzmair's voice has a gentle quality, as if born with melody. He believes it stems from the softer way Austrians speak German.

Holzmair was a late starter. He took singing lessons, joined the Vienna Singverein and in his own words, "it came as it came". After winning two awards, he gave up his copyright job and joined the opera company in Bern. He also made a *Lieder* recording, which was favourably reviewed in *Grommophone* in 1989. William Lyne, artistic director of the Wigmore, took note and engaged Holzmair immediately.

His Wigmore Hall debut established his name internationally. Although he is a natural Papageno and an accomplished interpreter of Pelléas and Gluck's Orphée, he is now in such demand as a recitalist that there is little time for opera.

Holzmair talks about singing poems rather than songs. "It's important to love

Holzmair: London bound

the poems, and to find them modern enough for our time, even if they were written 200 years ago. The feeling of *Sehnsucht* (longing) in German Romantic poetry is relevant today. Loneliness, disappointment in love – we have them now just as much as then. We might not use the same words, but could any song-cycle be more up-to-date than *Winterreise*?"

Over the past year Holzmair has sung around 250 different songs, an unusually large repertoire. Although he is best known for *Lieder*, he has proved equally skilled in French *mélodies*. He scored a notable success in Paris last year with Fauré's *La Bonne Chanson*, which he repeats in his forthcoming London recital. He says *La Bonne Chanson* is difficult to interpret, because all nine songs are positive in mood. "It's easier to talk expressively about despair than hope".

He has sung Hindemith's American songs and Barber's *Dover Beach*, and is interested in Britten and Vaughan Williams, "although they're not what people ask me to sing". His current project is a Schubert programme on the theme of the four seasons, which he will present towards the end of 1997.

"It's important to do the mental work long in advance, and let each song sink into your subconscious", says Holzmair. "This influences the way you work in rehearsal. I like to find out how far the pianist and I can go – how free we can be with the words. Inflexions, dynamic variations, stresses and syllables are important, but nothing should be fixed. All must be conveyed in a natural way, without over-pronunciation or over-declamation. With some pianists, you have the feeling they only want to serve you. I like to be challenged."

The greatest challenge of all, of course, is to interpret *Winterreise*, *Die schöne Müllerin* and the other great 19th century song-cycles. Holzmair says *Die schöne Müllerin* demands a storyteller "who may be the miller himself. It's a simple story of a man who falls in love with a woman, is rejected, and after repeated attempts to gain her, commits suicide. It contains more hope than *Winterreise*, and it reaches some sort of resolution. *Winterreise* is more a reflection on the different states of disappointment and despair. It starts with rejected love, and there is no end to the suffering."

Holzmair gives a masterclass at the Royal College of Music in London on January 17, and sings at the Wigmore Hall on January 16 and 21. He tours North America between February 1 and 17.

Ballet/**Clement Crisp**

Swan Lake

For the faithful, it suffices to say that English National Ballet continues its residence on the South Bank and is, this week, playing *Swan Lake*. I wish there were some means of identifying the ballet more truthfully, since the title can mean the ballet as staged at the Kirov or, as here, in a choreographically suspect version crammed onto an inadequate stage, quart into pint-pot fashion.

It is also unfair to dancers to hope for much by way of interpretation when treading round and through the encumbrances of the third act, where the set is more like a Lady Chapel than a ball-room. With the right repertory, ballets and dancers can be themselves (rather than their own poor relations) on this shelf of a stage. Not so *Swan Lake*, which demands – and does not receive – stars and a lot of panacha in this sub-Bolshoy version.

On Wednesday afternoon, with cohorts of school-children an enthusiastic and very attentive audience, I went to see the British debut of Laurentiu Guinéa, ENB's guest. Trained in Bucharest – by Russian teachers, I'd hazard – and in his late 20s, Guinéa is a true classical danseur, by physique and temperament.

He can do little with the role of Siegfried as is it shown us in this staging (drama in Act 1 amounts to looking at his Tutor's library book) but he establishes romantic feeling, and in a brief moment of dancing reveals a fluent, rich-textured style.

He proved a strong partner at the lake-side to Irena Pasaric's Odette, and in the ball-room – dodging pillars and the various other hurdles of a small and crowded stage – be gave elegant, polisbed delivery to the gim-crack bravura which is Siegfried's fate.

Most important, at every moment he took the stage like a Prince. Probably nervous, unfamiliar with the staging, and not helped in the big dance sequence by lethargic tempi (the score is supposed to buoy the dancer up, not hang round his ankles), Guinéa looked good, and is a welcome and impressive new-comer.

On a family note, I record that the character referred to in the programme as *Queen Mother* has either been lying madly about her age or has found the world's best plastic surgeon back-stage. She didn't look old enough to vote, let alone rule a kingdom, not even a balletic one.

Concert/**Richard Fairman**

Britten's songs

It is an irony that one of Benjamin Britten's song cycles should be called *On this island*. Although his operas have crossed the Channel and are to be found in ever more opera-houses throughout Europe, Britten's fine songs have largely stayed at bome, seemingly insular in their appeal like so much other later 20th-century music.

Is it the music that acts as a deterrent or the words? In general, composers since the war have placed a greater emphasis on the poetry in the art of song-writing than their predecessors did and Britten was no exception. Michelangelo, Blake, Donne and Hardy were all set by Britten in a style that gives the words equal importance. There is no question of sitting back passively to enjoy the music while ignoring the meaning of the poem, as many in an audience do with Schubert or Schumann.

The Wigmore Hall's impressive Britten soog series has thoughtfully lightened the concentration load. Each recital has been planned to reflect upon its subject by featuring other composers alongside; at Tuesday's early evening programme reaching Purcell, who was so important an influence – as Britten himself acknowledged when he made "realisations" of some of Purcell's vocal solos.

Listening to the counter-tenor Michael Chance caressing the first word of the arrangement of "Sweeter than roses" showed splendidly how Britten learned from Purcell's expressive heightening of the words. (No single Euro-language could ever capture word-painting like this.)

It was an interesting programme, based on a 1971 Aldeburgh Festival recital, which included Britten's Second and Fourth Canticles. Chance was beautifully subtle in those too, which only served to expose the relative clumsiness of the tenor and baritone, Adrian Thompson and Richard Jackson. Julius Drake was the accompanist.

The evening recital on Tuesday sketched a portrait not of a composer, but of a singer. Britten responded very positively to the voices and personalitiea of specific artists and one of the most powerful (in hoth senses) to have inspired him was the Russian soprano Galina Vishnevskaya. On holiday in Armenia in 1965, he wrote for her *The Poet's Echo* to words by Pushkin, breathing in much of the musical style there at the time.

The soprano Joan Rodgers, born in England but holding a higher degree in Russian, is no second Vishnevskaya and does not try to pretend that she is. In complete accord with the impeccably-turned accompaniments of Malcolm Martineau, she sang her Britten cycle with an exquisite sense of its poetry. Each subtle moment of phrasing or pointing of a word showed how much understatement can achieve. Her Tchaikovsky was delightful and her singing of Mussorgsky's *The Nursery* free from excessive little-girl play-acting. Vishnevskaya would have been more formidable in Shostakovich's *Satires*, but Rodgers found for them unsuspected force. In her own way she makes a very satisfying recitalist.

Sponsored by Enskilda Securities; main festival sponsor the Britten Estate in association with Radio 3.

INTERNATIONAL ARTS GUIDE

■ BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203092100/01
● Bruckner-Orchester Linz: with conductor Martin Sieghart and violinist Boris Pergamenschikow perform R. Schumann's "Cello Concerto in A minor" and Bruckner's "Symphony No.6"; 8pm; Jan 16
● Kammerphilharmonie und Chor des Mitteldeutschen Rundfunks: with conductor Salvatore Accardo, soprano Helen Bickers, alto Alicia Nafé, tenor Daniel Galvez-Vallejo and bass Kenneth Cox perform Beethoven's "Symphony No.4" and Rossini's "Stabat Mater"; 8pm; Jan 15

■ BIRMINGHAM

CONCERT
Symphony Hall
Tel: 44-121-2123333
● City of Birmingham Symphony Orchestra: and the ladies of the City ol Birmingham Symphony Chorus with conductor Mark Elder perform Delius' "A Song of Summer", Tippett's "Triple Concerto" and Holst's "The Planets". Soloists Include violinist Lyn Fletcher, viola-player Christopher Yates and cellist Ulrich Heinen; 7pm; Jan 13

■ CHICAGO

MUSICAL
Shubert Theater
Tel: 1-312-677-1700
● Jekyll & Hyde: The Musical Thriller: by Leslie Bricusse and Frank Wildhorn. The cast includes Linda Eder and Robert Cuccioll; Tue - Thu 7.30pm, Fri, Sat 8pm, Sun 3pm, matinees Wed, Sat 2pm; from Jan 16 to Jan 26 (not Mon)

■ DRESDEN

OPERA & OPERETTA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Ariadne auf Naxos: by R. Strauss. Conducted by Wolfgang Rennert and performed by the Sächsische Staatsoper Dresden. Soloists include Dame Gwyneth Jones (Jan 14), Helga Tiede (Jan 17), Norbert Orth, Roxana Incontrera and Karl-Heinz Stryczek; 7pm; Jan 14, 17

■ LEIPZIG

DANCE
Oper Leipzig Tel: 49-341-1261261
● Amerika: a choreography by Uwe Scholz to music by Gershwin, performed by Ballett Leipzig. Robert Hanell conducts the Gewandhaus-orchester and pianist G. Erber; 11am; Jan 16
OPERA & OPERETTA
Oper Leipzig Tel: 49-341-1261261
● Eugene Onegin: by Tchaikovsky. Conducted by Jiri Kout and performed by the Oper Leipzig and the Gewandhausorchester. Soloists includa Monika Luck, Annette Markert, Anelott Damm and Tomas Möwes; 7.30pm; Jan 17

■ LILLE

OPERA & OPERETTA
Opéra de Lille Tel: 33-20 06 88 04
● Il combattimento di Tancredi a Clorinda: by Monteverdi. Conducted by Giovanni Antonini and performed by Il Giardino Armonico. Soloists includa soprano Anna Caterina Antonacci and tenor Philip Langridge; 8pm; Jan 17

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● Symphony No.9: by Mahler. Performed by the Philharmonia Orchestra, conducted by Benjamin Zander; 8pm; Jan 17
Wigmore Hall Tel: 44-171-9352141
● Marc-André Hamelin: the pianist performs works by Liszt; 4pm; Jan 14
OPERA & OPERETTA
London Coliseum
Tel: 44-171-8360111
● Turandot: by Puccini. Conducted by Noel Davis and performed by the English National Opera. Soloists include Janice Cairns and Edmund Barham; 7.30pm; Jan 16

■ MALIBU

EXHIBITION
The J. Paul Getty Museum
Tel: 1-310-459-7611
● The Magic of Material Things: Albert Renger-Patzsch: an exhibition of about 45 photographs by the German artist (1887 - 1966) whose book "Tha World is Beautiful" (1928) was an early hallmark for the German art movement Neue Sachlichkeit. The works on view cover a wide ranga of subjects, both industrial and natural, that suggest many affinities with the American "straight photography" movement; from Jan 18 to Mar 31

■ MALMO

EXHIBITION
Malmö Konsthall Tel: 46-40-341293
● Max Ernst: basis for the exhibition is a large collection of sculptures by this Surrealist artist (1891 - 1976), complemented by related works in other techniques. Also on display are a collection of friends' photographic portraits, and documents of contemporary photographers such as Man Ray, Bill Brandt, Henri Cartier-Bresson, Lee Miller, Frederick Sommer, Irving Penn and others; to Jan 14

■ MUNICH

CONCERT
Philharmonie im Gasteig
Tel: 49-89-48098506
● Bamberger Symphoniker: with conductor Kurt Sanderling and violinist Antje Weithaas perform Mozart's "Violin Concerto in A major" and Bruckner's "Symphony No.3"; 8pm; Jan 14
DANCE
Nationaltheater
Tel: 49-89-21851920
● Swan Lake: a choreography by Ray Barra after Petipa/Iwanov, performed by the Bayerisches Staatsballett. Soloists include Elena Pankova and Oliver Wehe; 8pm; Jan 15

■ NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● Third Annual Marilyn Horne Foundation New York Recital: for the concert mezzo-soprano Marilyn Horne will be joined by mezzo-soprano Michelle DeYoung, tenor Bruce Ford, baritone Rodney Gilfry and soprano Janet Williams. Featured composers include Bellini, Copland, Debussy, Griffes, Handel, Mahler, Quilter, Rodgers and Hammerstein, Stolz, Strauss and Villa-Lobos; 7.30pm; Jan 16
DANCE
New York State Theater
Tel: 1-212-875-5570
● New York City Ballet: perform the choreographies "Glass Pieces", "Afternoon of a Faun", "Antique Epigraphs" and "West Side Story Suite" by Jerome Robbins; 2pm; Jan 13
EXHIBITION
The Pierpont Morgan Library
Tel: 1-212-685-0008
● A Great Heritage: Renaissance and Baroque Drawings from Chatsworth: exhibition of 103 drawings, mostly from Italian artists. Tha display Includes works by Domenico Ghirlandaio, Leonardo da Vinci and Andrea del Sarto; from Jan 17 to Apr 21

■ PARIS

CONCERT
Salle Gaveau Tel: 33-1 49 53 05 07
● Nathalie Stutzmann: accompanied by pianist Inger Sodergren. The mezzo-soprano performs songs by Schubert, Brahms, Mahler, Fauré and Debussy; 8.30pm; Jan 15
Théâtre des Champs-Elysées
Tel: 33-1 46 52 50 50
● Orchestre des Champs-Elysées: with conductor Philippe Herreweghe and pianist Andreas Staier perform R. Schumann's "Manfred", "Piano Concerto In A minor" and "Symphony No.3"; 8.30pm; Jan 16
OPERA & OPERETTA
L'Opéra de Paris Bastille
Tel: 33-1 44 73 13 99
● La Bohème: by Puccini. Conducted by Louis Langrée and performed by the Opéra National da Paris. Soloists include Roberto Aronica, LeRoy Villanueva, Carlos Faller and Cristina Gallardo-Domas; 7.30pm; Jan 16, 19

■ TORONTO

CONCERT
Jane Mallett Theatre
Tel: 1-416-366-7723
● Richard Goode: the pianist performs works by J.S. Bach, Schubert, Brahms and Chopin; 8pm; Jan 18

■ WASHINGTON

EXHIBITION
Hirshhorn Museum and Sculpture Garden Tel: 1-202-357-2700
● Stephan Balkenhol: Sculptures and Drawings: exhibition of 30 carved and painted wood sculptures, together with a group of large-scale chalkboard drawings, by German artist Stephan Balkenhol. The exhibition travels to the Montreal Museum of Fine Arts in Canada (Feb 15 to May 26); to Jan 1S

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Philip Stephens

Survival of the fittest

Tony Blair should remember that his party will not be immune to the tensions now threatening traditional tribal politics

Pay no heed to those who tell you that Margaret Thatcher's lecture to the Centre for Policy Studies was a calculated reopening of hostilities with John Major. Give equal weight to those who say her acerbic remarks about Tony Blair's New Labour mark a miraculous rapprochement between the Lady and her once-chosen successor. It's all bunkum.

The reality is prosaic. Lady Thatcher indeed believes Mr Major has betrayed her revolution. She has thought so ever since she remarked back in the summer of 1991 that he was spending like a socialist and selling out to Europe's federalists. Four dispiriting years as a fading luminary on the international lecture circuit have hardened her arteries. She despises consensualism. He exalts it. Were she still at the helm, Britain would never dream of giving up sterling to a German-dominated "Euro". He will not make up his mind.

So between the lines of anything the Lady says about the course of British politics can be found a swipe at Mr Major. To be genuinely supportive she would have to take a Trappist vow of silence.

Like almost everyone else in the Tory party, Lady Thatcher is looking beyond the next general election. Friends say she despairs of victory. She is fixated by the succession to the Conservative leadership. But she must take care to be loyal in her public utterances. Defeat, if it comes, must be seen as the consequence of the betrayal of her vision. No doubt she really does loathe the idea of a Labour government. But it *would* be a vindication. The important point is that she is seen to be free of all blame for defeat. No more plaudits for Mr Blair.

All this, of course, is fine by the Labour leader. While his opponents look beyond the election he can concentrate on winning it. But this is not yet a game entirely free of risks. Mr Blair's latest electoral slogan, the stakeholder economy, at least offers the government a target at which to aim. For "stakeholder" read "vested interest" – trade union, local authority or favoured industry. New Labour is peddling reheated, sixties-style, corporatism. Such is the word in Conservative Central Office.

The Conservatives have an advantage on this territory. It is much easier to tell the voters that you are for low taxes, small government and the primacy of the individual than it is to explain the economic theory of stakeholding.

Mr Blair would be well advised to add clarity to his soundbite. Is he talking about the empowerment of individuals trapped outside the economy by poor education, unemployment or the benefit traps of the welfare state? If that is the case, even the late Lord Joseph, in whose memory Lady Thatcher spoke last night, could not complain.

Or does the slogan imply a fundamental rebalancing of the relative power within the economy of shareholders, managers and employees? Then again, is talk of stakeholders a convenient shorthand for German-style corporatism? Or finally, has Mr Blair simply alighted on a nice, warmly capitalist, phrase to encapsulate his rhetoric about the importance in society of matching individual responsibilities with individual opportunities?

> For every shot aimed at its policies Labour can rely on the left and right of the Conservative party to loose off 10 more at each other

In fact, I am reliably told that the Labour leader has in mind the last (with perhaps a bit of the first) of these options. I am also assured that it was never his intention to extend the stakeholder theory of corporate governance to management of the economy as a whole. But not-so-new Labourites (and there are still some around) are already offering the more interventionist, statist, gloss to their leader's words.

We shall see in coming months whether the potential ambiguities destroy the slogan. But Mr Blair is right in calculating that it is no use offering the voters a raft of detailed policies unless they are moulded around a central, unifying, theme. And, in a society haunted by the insecurities of global competition and technological change, active government appears a less threatening beast.

Labour also has time. For every shot aimed at its policies it can rely on the left and right of the Tory party to loose off 10 more at each other. Backbench MPs talk about little other than the bloody aftermath of defeat. Civil wars in politics always carry a special bitterness, but this one matches anything seen since the Conservative split over tariff reform at the start of the century. "It can't go on like this," one cabinet minister lamented over lunch this week. But no, he did not have in his jacket pocket the miraculous elixir which would bring the warring factions to their senses.

So next month Mr Blair will lay out the second half of his philosophical prospectus, his promise to match a different economics with a new politics. As yet this constitutional agenda is both the most substantial and the flimsiest element in his programme.

It is substantial because if a Blair government actually delivered devolution in Scotland and Wales, managed seriously to rebuild local democracy, and did reform the House of Lords, it would transform the way the nation is governed. Flimsy, because Mr Blair has yet to think through the new distribution of power in this promised land of political pluralism.

The logic of such political decentralisation points unerringly towards the introduction of a proportional voting system at Westminster. A more representative House of Commons would provide the framework for a sensible division of responsibilities between Westminster and the proposed Scottish parliament. It would allow a Labour-led government to mobilise the cross-party majority of MPs in favour of active British engagement in Europe.

But Mr Blair will have none of it. He pronounces himself at best sceptical of any change in the present first-past-the-post system at Westminster. In his mind the case for change was discredited by its advocates during the 1980s. Then, a new voting system was too often backed as the soft option, a way to get Margaret Thatcher out of power without addressing the fundamental reasons why Labour was unelectable.

Fair enough, but the world has changed. The Conservative coalition is fracturing, and New Labour is moving back to the political centre. But Mr Blair should recognise that his party will not be immune to the tensions which now threaten to break the Conservatives. Both parties are uneasy coalitions in which the glue of tribalism is ever weakening.

If the Tory party splits in opposition, the strains within Labour will show themselves in government. Mr Blair is remaking his party in his own image, just as Lady Thatcher refashioned the Conservatives. Perhaps I am in fanciful mood, but maybe the two of them might yet leave an unintended legacy – the permanent demise of two-party politics.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Waigel raises prospect that Emu is reversible

From Mr Edmund Dell.

Sir, You report a statement by Mr Theo Waigel, the German finance minister ("Waigel issues strict line on Emu discipline", December 30), that in certain circumstances countries might be ousted from Emu. Your report does not indicate where, in Mr Waigel's view, the power of expulsion should lie, whether with the European Central Bank, the European Council, the German government or, perhaps, the Bundesbank. As Mr Waigel is concerned to find ways of reconciling the German people to the loss of the D-Mark, the only totally satisfactory repository of this power would, presumably, be tha Bundesbank. There could be some embarrassment if the German government, having failed to meet the Maastricht criteria as in 1995, had to expel itself. On the other hand, the Bundesbank might jump at the chance, thereby restoring its own independent authority and reviving the D-Mark. The Euro might then look rather sick. Or is Emu a club in which only Germany, and perhaps France, would enjoy secure membership, whatever their behaviour?

However one looks at it, Mr Waigel's new contribution to the establishment of Emu is of exceptional importance. Political leaders continue to speak of Emn as irreversible. It would not be irreversible. No arrangement between nation states can be irreversible. After Mr Waigel, no one can say that Emu is irreversible. On the other hand, the German chancellor, Mr Helmut Kohl, seeks to make it irreversible by creating a federal Europe. Even that would not necessarily work (see the current traumas in Canada) but clearly Mr Kohl and Mr Waigel should have a word with each other. Mr Kohl wants to tie the bonds tight. Mr Waigel wants to cut them at discretion.

There are at least two circumstances in which participation by a nation state in Emu might be reversed. The first, that indicated by Mr Waigel, is if a state were expelled due to what its partners considered misbehaviour damaging to the other members of the union. The second is if, contrary to expectation, membership of Emu proved seriously damaging to the welfare of a nation's people. Enthusiasts for Emu emphasise tha advantages. Sceptics underline the disadvantages. The truth is that no one knows. Presumably no state would enter Emu without a firm conviction of advantages far outweighing the disadvantages. But so poor is our understanding of economic processes, and so unreliable are economic judgments, that it might find that its expectation had been falsified in practice.

The fact that Emu is not irreversible has political implications. No state should enter into monetary union unless it is satisfied that its exit from it, whether as a result of expulsion or voluntary withdrawal, has not been made unacceptably costly. If Germany can be at fault on the Maastricht criteria, surely the offence must be venial. But how can any member state be sure that it would be forgiven? It is in the area of political union that the danger exists. Indeed a law can be stated that if Mr Kohl makes his ideas on political union a condition of Emu, then participation in it should be *rejected*. Emn could only be acceptable if it does not imply political union.

There is no need to concede Mr Kohl's demands because, as Mr Waigel has also revealed ("Germany 'failed Maastricht test' ", January 10), Germany needs Emn in order to assist its exports and reduce its unemployment. In other words Mr Waigel wants the Euro to be weaker than the D-Mark.

Mr Waigel has raised the banner of a reversible Emu. All his fellow finance ministers, including Britain's chancellor, Mr Kenneth Clarke, should back him.

Edmund Dell,
4 Reynolds Close,
London, NW11 7EA, UK

Federalists' position

From Mr Alan Grainge.

Sir, Ian Davidson ("Mitterrand's legacy", January 10) is no doubt justified in arguing that France must favour an integrated Europe "with laws and institutions, in which France and Germany share the leadership".

But he states that "for the same reasons" an integrated Europe (presumably with the same shared leadership) is in the UK's interests. No wonder he describes this as a paradox. But at least it seems to be an honest summary of the British Euro-federalists' position.

Alan Grainge,
Compact Intelligence,
Stansfeld Chambers,
6 Great George Street,
Leeds LS1 3DW, UK

Car emission standards should be pursued

From Mr Christof R.A. Swaak.

Sir, I refer to Mr Jacques Calvet'a Personal View "A case for quality control" (January 10). I would like to point out that the simple fact that the cost of meeting standards on car emission may constitute a burden on the competitiveness of EU car manufacturers does not in itself constitute a reason to stop the use of (possibly stricter) standards to improve air quality.

Pursuant to the EC treaty, the Commission's activities include not only strengthening the competitiveness of EU industry but also an environment policy which contributes to the aim of preserving, protecting and improving the quality of the environment, protecting human health, prudent and rational utilisation of natural resources, and promoting measures at international level to deal with regional or worldwida environmental problems.

The treaty explicitly prescribes that policy on the environment shall aim at a high level of protection taking into account the diversity of situations in the various EU regions. Such policy has to be based on the precautionary principle and, *inter alia*, on the principle that environmental damage should as a priority be rectified *at source*. Environmental protection requirements must be integrated into the definition and implementation of other EU policies.

Mr Calvet is right that Commission policy on improvement of air quality in the EU should involve the likes of oil companies, tyre manufacturers and road builders, as well as carmakers, and should take account of local standards. But this does not necessarily exclude use of standards for car emissions.

Admittedly, the latter are not tha *only* answer to pollution problems but they can be used to curb air pollution and stimulate research and improvements in automotive technology which may contribute both to the (further) improvement of air quality in the EU and the competitiveness of EU car manufacturers.

Christof R.A. Swaak,
'Hugo de Groot' Legal Study Centre,
Hugo de Grootstraat 27,
Postbus 9520, 2300 RA Leiden,
The Netherlands

Europa • Paul de Grauwe

Why the link should be cut

Emu should not be conditional on solving Europe's budgetary problems

European monetary union is a good idea. So is rednoing government budget deficits by reforming national social security systems. But the effective linking of the two through the convergence criteria of the Maastricht treaty is a very bad idea. The likely result of this linkage is thet at least one of the good ideas will fall by the wayside.

The problem is thet Maastricht has made tha start of monetary union conditional on aolving Europe's budgetary problems. Governments are required to cut their budget deficits and accumulated debts to predetermined levels before they can participate. But, in most cases, these levels of debt can be achieved only by a drastic reform of countries' social security systems.

Pushing through the sort of reform that is extensive enough to be effective will inevitably be a protracted process and will prompt strong resistance from beneficiaries of the present systems. It is bound to be both difficult and unpopular. By linking Emu to this process through the convergence criteria enshrined in Maastricht, the architects of integration have all but guaranteed that monetary union will be unpopular too.

These architects should not be surprised if people turn against monetary union after being told by their national governments that social security reform is needed in order to enter Emu. This is exactly what has happened in France. It will also happen in other EU countries.

There is no good reason for the two ideas to have been linked in the first place. They are designed to deal with separate problems and should be kept separate.

It would be quite possible to achieve Emu without budgetary convergence requirements and without social security reform. Monetary nnion requires only that countries abandon their national currencies and agree to introduce a common currency managed by a common central bank.

If this central bank were made politically independent – and incentives were given to its directors to pursue price atability as their principal objective – monetary union *along these lines would almost* certainly produce low inflation. (If further reassurance were thought necessary, directors' terms of employment could call for them to be fired if they did not achieve price stability.)

Past experience of monetary unions between independent countries shows this analysis to be correct. Belgium and Luxembourg formed a monetary union more than 50 years ago, but this has not stopped snccessive Belgian governments from allowing a spectacular build-up in the country's debt. Price stability has, nevertheless, been achieved in both countries. Indeed, Luxembourg – which has not experienced large budget deficits or increasing government debt – does not seem to have suffered in any way from the reckless behaviour of the Belgian government.

It is often argued that, even if there is no strong economic reason to link budgetary stringency to monetary unification, there are *strong political reasons* for doing so. Proponents of this line of reasoning argue that the link allows governments to invoke superior force, in the form of the European integration process, as a means of persuading their respective electorates to accept painful cuts.

Until recently, this strategy seemed to be working relatively well. But tha recent social upheaval in France has highlighted its limitations. The strategy backfirad there because, as discussed earlier, pnblic hostility to budget cutting was deflected towards the process of monetary unification. As this hostility gathers momentum and spreads to other countries, there is a strong risk not only that Emu will be killed, but also that the credibility of several national governments will be undermined.

None of the above should be interpreted as suggesting that root-and-branch reform of *European budgetary processes* and social security systems is not badly needed. But they are matters that need to be resolved separately from the process of monetary unification. The present obsession with solving both problems simultaneously will almost certainly destroy Emu.

In fact, de-linking the two processes might make it easier to implement social security reforms. If the two processes were uncoupled, monetary union could be organised relatively quickly. Once that was in place, governments could concentrate more of their energies on social security reform, free of concerns abont how thair national currency's exchange rate was affecting trade, interest rates and macro-economic stability.

If this is correct, why was the start of Emu made conditional on solving Europe'a budgetary problems? It was because of Germany's fear of inflation and the reluctance of the Bundesbank to sacrifice its dominant influence over the monetary policy of other EU countries.

By making the start of monetary union conditional on budgetary convergence (and other convergence criteria), artificial barriars were erectad. This serves German interests well. It means that monetary union is likely initially to cover a comparatively small group of countries and that German inflnence in the monetary affairs of its EU partners will not be too heavily diluted. Moreover, it means that if monetary union does not materialise, Germany can blame its EU partners for failing to show sufficient determination to surmount the obstacles.

Indeed, those with Machiavellian leanings might wonder whether the link between monetary union and budgetary reform was implanted in the Maastricht treaty by enemies of monetary union. After all, there can be no surer way of killing Emu than by associating it with such unpopular reforms.

The author is professor of economics at the University of Leuven and MP for the Liberal party in the Belgian parliament

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Friday January 12 1996

Slow growth trap for Emu

Is it the intention of the European authorities to convince their electorates that Emu stands not for European monetary union, but for European masochists' union? If so, they are going the right way about it. If not, they must urgently rethink how they intend to apply the Maastricht treaty's fiscal policy criteria.

It now appears that German gross domestic product did not grow in the fourth quarter of last year and that growth in the year as a whole was only 1.9 per cent. Many economists believe that output will subsequently turn out to have fallen in the fourth quarter; some also expect it to fall in the first quarter of 1996.

Slow growth and rising unemployment are bad enough in themselves. But the result has also been a general government deficit of 3.6 per cent of GDP in 1995, which is well above the 3 per cent target of the Maastricht treaty. Mr Theo Waigel, the German finance minister, has stridently insisted on precise fulfilment of the deficit criteria. Yet last year even Germany failed. If its European partners were inclined to feel *Schadenfreude* (that wonderful German word for pleasure in another's pain), now would seem the ideal occasion.

They should forbear, since most of that pain will be their own: a German slowdown is bound to mean a slowdown for the European economy as a whole. Mr Didier Maillard, chief economist of Paribas, argued in the FT last week that the French economy would grow by as little as 1¼-1½ per cent this year. If such a performance were to be followed by, say, growth of only 1¾ per cent in the following year, the French fiscal deficit would, on current policies, end up at 4 per cent in 1997, not 3 per cent.

Obsessed with hitting cyclically unadjusted fiscal targets in an arbitrarily chosen year, Germany, France and other European aspirants for Emu could even feel obliged to introduce further discretionary tightening of fiscal policy during 1996, in order to hit the target in 1997. Growth would slow still further, making necessary yet further tightening. The European economies would then chase one another down a vicious spiral of decline.

How can they escape from what seems to be the economics of bedlam? The simplest answer would be aggressive easing by the monetary authorities, led by the Bundesbank. This should lead to lower interest rates throughout Europe. In practice, however, this is not how the Bundesbank is likely to behave, particularly since it brought the discount rate down to 3 per cent only last month. Alternatively, the decision could now be taken that the fiscal judgment will be made in light of the cyclical position, something that the treaty would appear to permit, provided deficits were not that far from 3 per cent.

The danger is that painful, possibly even vain, pursuit of fiscal targets that are neither necessary nor sufficient for a successful Emu will turn the gap between the builders of the new Europe and the natural desires of electorates into a yawning chasm. The promises made to them – have not always been at the forefront of the politicians' minds. But the patience of the people must have a breaking point. European leaders should take great care to ensure they do not pass it.

Exit a mutual

When Berle and Means, in their famous analysis 50 years ago, identified a divorce between ownership and control, they were concerned with the modern corporation. Today, their diagnosis would serve rather better as a description of Britain's building society movement. The societies' fragmented ownership means that the members exert no worthwhile influence over management. In contrast, ownership of quoted companies is more concentrated in institutional hands, so increasing potential accountability. Flotation, a course soon to be adopted by the Woolwich Building Society, might thus seem an attractive way of connecting the societies to a stronger ownership discipline.

The paradox is that the societies have been more consistently profitable and tighter on costs than quoted commercial banks. Among other things, that reflects a discipline peculiar to mutuality. Unlike the clearing banks, the societies have not been able to raise capital which has then burned a hole in their pockets. Nor, on the whole, have the directors abused their position by paying themselves outrageous remuneration.

It follows that the case for flotation is not cut and dried. But it is valid for some, partly because mutuality can no longer deliver in important areas. With home ownership at around 68 per cent of households, the societies' mission is largely complete. And the fast-changing structure of retail financial services will make access to capital more important in future. Moreover, the potential conflict inherent in the managers' position is becoming more serious. Many societies have been giving priority to the interests of new customers, rather than to longstanding members. Directors are tempted by larger remuneration packages.

A mere quotation may not make much difference on the pay score. The lesson of last year's row at British Gas, and even more so at companies like WPP, was that most institutional shareholders would rather not crack the whip over boardroom pay. But elsewhere they do exert pressure, backed by the takeover sanction.

Yet the British are arguably over-obsessed with equity forms of ownership. The new capital structure of the water industry, to take one obvious example, is wholly inappropriate to a natural monopoly: preference capital used to be the norm among private water companies for very good reasons. Nor is mutuality a dying form of ownership. It still makes sense for smaller societies operating in niche markets. And it may yet find future uses in areas where the interests of owners and consumers are more closely aligned than in today's building societies.

Rifkind in China

Two features stand out from Mr Malcolm Rifkind's visit to Hong Kong and Beijing this week. The first is China's relatively muted response to the furore over its treatment of orphans, which indicates an earnest desire to maintain a good relationship with the UK ahead of 1997. The second is that the good atmosphere was maintained despite some robust remarks by Mr Rifkind on a range of sensitive issues to do with the handover of Hong Kong.

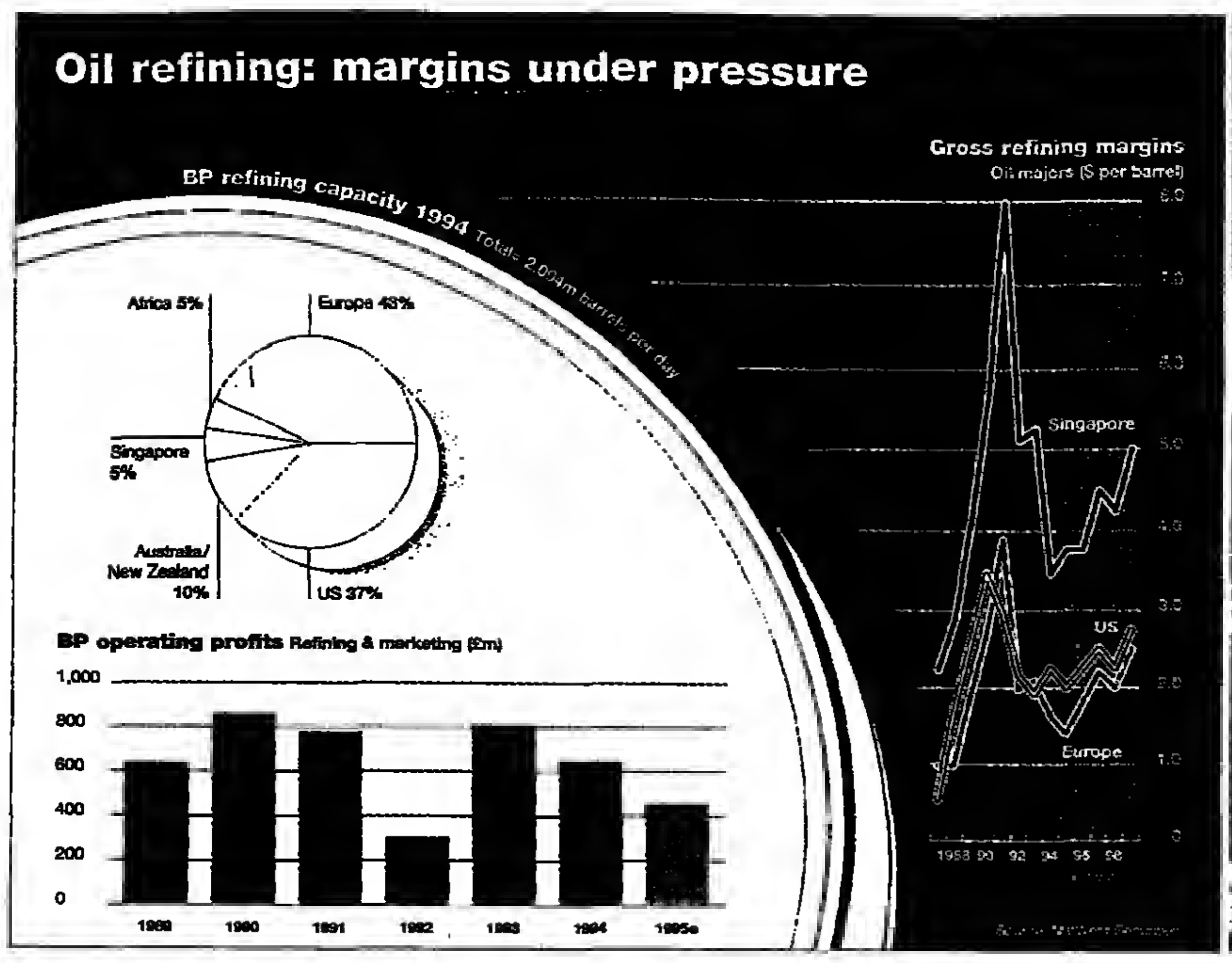
This new combination of Chinese goodwill and British refusal to be cowed on matters like the need to preserve Hong Kong's autonomy after 1997 is to be welcomed. It is in some contrast to last spring's agreement on the Court of Final Appeal, which involved substantial UK concessions. The risk to confidence from that deal was that China appeared to be pushing Britain around. If Hong Kong residents can now be persuaded that Britain is willing to stand up for them and China is at least ready to listen, there is a much better chance of maintaining confidence in the territory's future as 1997 draws near.

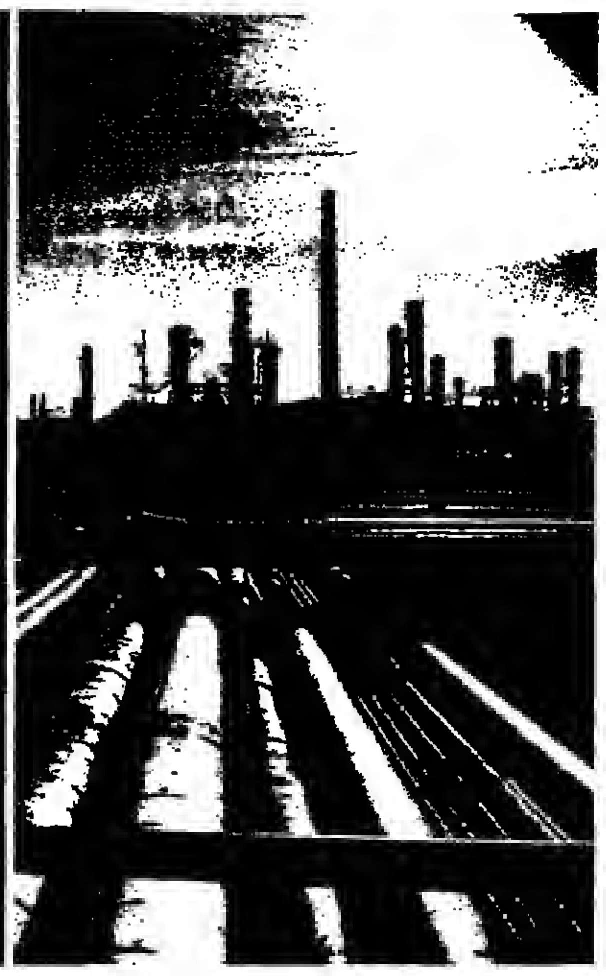
All the same, the next 18 months will not be easy. Despite the improved atmosphere, China has made it abundantly clear that it will not go back on its decision to abolish Hong Kong's Legislative Council. Both sides thus face an acutely awkward presentational problem in the run-up to 1997. Both will want to portray the handover as a success, but that will be a daunting task if there is widespread protest at China's plans to abolish such a core institution as LegCo.

What is needed to offset this are more substantive agreements on practical issues designed to make the handover work. From this perspective, the Rifkind trip was less satisfactory than it looks.

The agreement on the container port was a breakthrough of sorts, but it has not been presented as such by China. It also depends on agreements between the companies concerned. Whether the agreements on passports and right of abode represent much advance on existing positions is equally unclear.

China must deliver more substance if confidence is to be maintained. It must also seek to avoid unnecessary squabbles which sour the atmosphere, like its personal vendetta against Governor Chris Patten. The handover will not go smoothly if the Queen's plenipotentiary representative in Hong Kong is continually and conspicuously cold-shouldered. Quite apart from anything else, such an attitude seems calculated to cast the abolition of LegCo, elected following his reforms, in the worst possible light.





A very refined dilemma

Yesterday's move by BP to close or sell some of its oil plants reflects the severe overcapacity in the industry, says **David Lascelles**

It was always going to be a question of who blinked first. The chronic overcapacity of the refining industry, particularly in Europe, has depressed oil company profits for years. It was widely expected that one of the oil "majors" – probably British Petroleum, Shell or Exxon – would have to take drastic action.

Yesterday, BP announced plans to shut down or sell three refineries in the US and Europe, cutting its refinery capacity by nearly a third but also reducing losses by up to $200m a year.

The overcapacity that triggered BP's action has several causes. Mr John Browne, BP's chief executive, listed three of them yesterday:

- The technology is widely available, so entry barriers are low;
- Shortages created by the Gulf war in 1991 triggered a rush to build new refineries, particularly in the Far East;
- Improvements in technology allow existing operators to squeeze more and more out of their plants. By Mr Browne's estimate, global capacity grows by the equivalent of four average-sized refineries a year for this reason alone.

He might have added a fourth cause – that many refineries belong to state-owned oil companies which are reluctant to shut down plant for political reasons. As more of these companies are privatised, however, this is becoming less important.

At the same time, oil companies have had to come to terms with other sources of pressure on their margins, including falling transport costs. These have improved the fluidity of the world refined products market and ensured that regional shortages are quickly supplied.

As a result, margins in the refining business have been falling for several years. They were particularly depressed last year because a large overhang of unsold product coincided with the start-up of the new Far East capacity. The 1995 margin in Europe of $1.40 a barrel was down a third on 1994.

But eye-catching though BP's move was yesterday, it is only part of a broad process of rationalisation which these pressures have created.

The early 1990s saw a big shake-out in the US oil industry, with many of the leading companies cutting their refining operations. Last year Mobil, the second-largest US company, shut its German refinery at Worth, and rationalised two refineries in the UK and France. It had previously sold or shut several smaller European refineries.

Now that BP has applied the knife too, could this mean the beginning of better times for what remains of the industry? Analysts doubt it, even though most market forecasts point to a slight improvement in refining margins over the rest of the decade, as the wave of new capacity is absorbed.

One reason is that BP's action will not necessarily result in a large loss of overall capacity. The company's intention is to sell two of the three plants rather than shut them down, and to close the third, in the Netherlands, transferring some of its business to a neighbouring refinery.

According to Mobil, the market needs to lose between 800,000 and 900,000 barrels a day of capacity to return to equilibrium. BP's cuts would remove at most 400,000 b/d.

Mr Jeremy Hudson, an oil analyst at Salomon Brothers, calculates that returns from oil refining are so low – or in many cases negative – that large companies will be unable to cover their cost of capital under foreseeable market conditions. He predicts BP's move could actually force other companies to follow suit. "This sends a loud signal that refining is a big enough problem to warrant the pain," he says. "Other companies face the same dilemma as BP, and this should make it easier for them to take the same action."

However, the indications are that other large companies have no plans to shut down refineries. Shell said yesterday it had recently completed a review of its European refining operations. This concluded that, although returns were unsatisfactory, the refineries themselves were competitively well-placed and did not require heavy investment. "We do not consider them to be prime exit candidates," it said.

BP's announcement, in other words, may not provide the big shock people have been waiting for. But it highlights important changes in the industry's evolution.

As a result of the cutbacks, BP will sell more oil products than it refines. In this regard, it will match most of the other large oil companies that have dropped the traditional aim of being "fully integrated". Although this change means they have to buy part of their product needs from other refiners, it gives them leeway to exploit price fluctuations in the market.

Another change is that refining is increasingly a matter of having the right type of capacity rather than the right amount. As Mr Rolf Stomberg, the head of BP's downstream arm, pointed out yesterday, refining can be highly profitable for modern operations in the right location. The best refineries, he said, can earn three times the industry average.

The emphasis, therefore, is on meeting changing market needs, for example for environmentally friendly fuel, and producing it at the cheapest possible price rather than churning it out in large quantities on all five continents.

An exercise in self-help

British Petroleum's reshuffle of its refinery assets reflects a belief among senior managers that the company can no longer rely on peaks in the commodity cycle to underpin its earnings.

"We don't want to be simply a play on the cycle," said Mr John Browne, BP's chief executive yesterday. "We want to manage our way throughout the whole cycle."

That message of self-help is one that is heard constantly in the corridors of the company's Britannic House headquarters in the City of London. It was used by Sir David Simon, the chairman and former chief executive, in guiding the company out of its debt crisis in 1992. And it has been embraced by Mr Browne as he struggles to bring greater efficiencies to BP's refineries, the one clear laggard among the company's businesses.

But can Mr Browne, who turned around the fortunes of the company's upstream extraction assets in his former role as head of BP Exploration, achieve similar results with the downstream refining and distribution operations?

Mr Fergus Macleod, energy analyst at NatWest Markets in Edinburgh, describes the decision to close or sell three refineries as a "bold move". It was, he said, in keeping with BP's new attitude: "Don't sit around waiting for help from the market. Sort it out yourself."

But he doubted whether it would have a marked impact on the company's overall fortunes. He estimated that the gain in earnings as a result of eliminating the losses at the three units could be less than $100m a year.

If the group cannot find buyers for the two sites up for sale – at Lima, Ohio, and Lavera in France – Mr Browne said he was prepared to close them. Analysts believe the $1.075bn charge against earnings covered such a contingency.

BP executives yesterday stressed that the company would remain active in the international refining industry. It has no plans to dismantle the integrated structure that links crude oil production with the sale of petrol and other refined petroleum products to consumers.

Yesterday's move will mean BP will refine substantially less oil each day than it sells. Mr Browne said the 400,000 barrel a day deficit would be made up by purchases from the "deep and liquid" international markets for wholesale petrol, diesel and other fuels.

The restructuring does not preclude a future expansion of BP's refining operations elsewhere. Mr Rolf Stomberg, head of the group's worldwide downstream activities, said the company might want to expand its refining presence in south-east Asia, the world's strongest growing oil market.

But analysts said yesterday's actions indicated that the low margins and high capital requirements of refining clashed with BP's strategic aim of providing "unusual returns to investors". As Mr Stomberg noted, even efficient refineries are a "magnet for investment".

On the other hand, the group is unlikely to make further refinery closures on this scale.

"No player of any significant size could allow itself to be at the mercy of wholesale markets," says one BP executive. "Too large an exposure and you begin to feel uncomfortable."

Robert Corzine

· OBSERVER ·

Rifkind's new clothes

■ Malcolm Rifkind, Britain's foreign secretary, seems to be rather pleased with his visit to Beijing this week. He has been impressed by the generosity of his hosts.

He has also managed to get the impression that some pretty unexceptional comments by Qian Qichen, his Chinese counterpart, on the right of abode in Hong Kong and other issues, constitute some sort of political breakthrough.

Even the news that China had lifted its veto on Jardine Matheson participating in the development of Hong Kong's container port was poorly presented, sowing more confusion than enlightenment.

How come Rifkind's officials allowed him to be so easily hoodwinked?

He was accompanied by Sir Len Appleyard, ambassador in Beijing and a sinologist, William Ehrman, his private secretary and a self-professed expert on Hong Kong and mainland affairs, and Hugh Davies, head of the Sino-British joint liaison group overseeing the handover.

At least one of them ought to have been brave enough to tell the minister that Qian, on the issue of right of abode, was simply repeating the formula as written in old agreements. Still, the Chinese officials could have used such slip-ups to embarrass Rifkind. Fortunately, they kept a dignified silence.

Card carrier

■ One man who really will miss François Mitterrand is 80-year-old Camille Marchand who lives in the tiny village of Gouloux in central France. Whenever the late French president went overseas, he sent Marchand a post card. He had more than 120 at the last count.

They first met in 1948 when Mitterrand was a local councillor. "Most politicians are different. They come by once, and you never see them again," says Marchand. However, the two struck up a friendship and until just days before he left office, Mitterrand sent his pen-pal a postcard virtually every time he left France.

The last one was from Berlin in May 1995, when Mitterrand visited the city with other world leaders to commemorate the 50th anniversary of the end of the second world war in Europe. One can only speculate about the contents but it probably went as follows: "Having a great time. Weather fine. Food great. Company atrocious..."

Heady mixture

■ At a bash at the Savoy hotel in London on Wednesday to mark his retirement as chairman of the UK's Securities and Futures Authority, Christopher Sharples was reminiscing about the high points of international regulatory co-operation on his watch – including the occasion when he was selling the strengths of the UK system to one of his Chinese opposite numbers. Sharples was expounding the benefits of sanctions such as banning, fining and publicity in cases of market manipulation or breaches of best execution. "Ah I agree", his interlocutor observed enthusiastically. "For serious breaches, execution is best".

Wave theory

■ The sea was calm earlier this week, with no surf worthy of the name. But neither Shawn Stussy nor his partner, Frank Sinatra Jr (no relation), were taking calls at the $35m-a-year design and retailing company where Stussy is bowing out.

The 41-year-old southern Californian, whose love of surfing often appeared to get in the way of his business ambitions, has terminated his fashion odyssey designing expensive, slouchy-grungey clothes.

Since entering surfie culture on Orange County's Laguna Beach with his hand-made, autographed surfboards, Stussy had kept his balance for a full decade on the crest of the sun, sea and city school of style. His later association with hip-hop music lent him street cred, and he somehow succeeded in preserving sufficient exclusiveness to charge pop stars top whack for sundry clobber.

There is not supposed to have been a bust up – rather, in time-honoured terminology, Stussy simply wants to spend more time with his family, close to the warm waters of Hawaii. He stays on in a consulting role as Sinatra takes the helm, and keeps his two boutiques in LA and New York for his own portfolio.

Perhaps Stussy has simply recognised that every wave hits the beach at some point, and that the coolest rider is he who dismounts in deeper water.

Should the kids ask.

Strung out

■ Diverting attention for once from the glory of its technological achievements, France is currently struck on the merits of looping together bits of rope.

According to yesterday's Libération newspaper, post offices, cinemas and railway stations are coming to grips with that brilliant invention, the queue, together with its sophisticated variant, the single line in front of multiple service-counters.

Why these institutions think a bit of string will compensate for the apparent absence of the queue-forming gene in the French make-up remains as much of a mystery as ever.

The Financial Times

50 years ago

US fight to avoid inflation

New York: Administration officials seeking to fight inflation by a tight rein on prices and wages are faced with a difficult task. It is feared that the cost of living will rise sharply as the result of recent developments.

The White House scheme to induce a rise in steel wages by pushing up prices by perhaps $4 a ton is regarded as highly inflationary. Food prices are rising and Agriculture Secretary Anderson is being called an inflationist by some key officials.

Fact-finders for the dispute between General Motors and workers' organisations have come out with a recommendation that wages be raised by 17½ per cent.

This pattern applied to industry generally would certainly necessitate many price adjustments. Officially, of course, White House officials are going to insist that the consumer is kept safe and the cost of living will be kept stabilised.

Washington experts believe that the steel case will be the most important as a precedent. Many other industries are in a similar position, where wage increases, if granted, must be followed by price increases. The coal industry is an obvious example.

FINANCIAL TIMES
Friday January 12 1996

Dini confirms government's resignation after split on policy

By Andrew Hill in Milan

Mr Lamberto Dini, the Italian prime minister, last night opened a new phase of political uncertainty by confirming the resignation of his technocratic government after rival political groupings failed to agree on the way forward for the administration.

Mr Dini's decision headed off a parliamentary vote, backed by deputies of the centre-right and extreme left, which would almost certainly have forced his resignation and reduced his chances of being appointed to lead a new government.

Mr Dini submitted his resignation formally on December 30, but Mr Oscar Luigi Scalfaro, the president, refused to accept it and asked parliament to make up its mind on the next step.

Mr Scalfaro could now decide that a new government should be formed, he could call an early election or, much more unlikely, he could again reject the resignation.

Until now, he and Mr Dini have opposed early elections on the grounds that they would disrupt Italy's six-month presidency of the European Union, which began this month.

Closing two days of debate over the future of his government, Mr Dini told parliament last night that although some elements of consensus had emerged – particularly on the need for constitutional reform – the parties were obviously split on how to reach that goal.

He said it was his "strict duty" to confirm his resignation to Mr Scalfaro, who was last night on his way back from Paris where he attended the memorial service for Mr François Mitterrand, the former French president.

Mr Scalfaro will this time almost certainly have to accept his resignation.

The Italian lire weakened immediately after Mr Dini's speech to L1,094 against the D-Mark, compared with the official quotation of L1,092.73 earlier in the day, and to L1,576 to the US dollar, against the official quotation of L1,568.61.

Speaking after Mr Dini announced his decision, Mr Massimo D'Alema, the secretary of the former communist PDS, said the choice was between reform and elections. "We now have a government crisis, there is no solution ready [on constitutional reform], there's no agreement, and there's a probability of elections," he said.

The PDS and its allies on the centre-left would prefer to see Mr Dini stay on during the EU presidency. But the parties of the centre-right had submitted a resolution to parliament before the prime minister's speech seeking his resignation. The resolution was backed by the Marxist party.

Thatcher speech reignites Conservative party disunity

By Robert Peston, Political Editor

Baroness Thatcher last night reignited the bloody civil war within the ruling UK Conservative party by snubbing the call for unity made by Mr John Major, her successor as prime minister.

She said that "splits and disagreements over important issues never did a party so much harm as the absence of honest, principled debate" and that stifled debate led to "directionless failure".

In a speech in London in memory of the late Lord Joseph, her former ministerial colleague and fellow architect of the Thatcherite revolution, she said it was "no secret that between John Major and me there have been differences ... on occasion". Calling for "really radical" cuts in public expenditure, she added that the government was unpopular because it had "gone too far towards increasing government spending, borrowing and taxation".

She also provided ammunition to the Tories' Eurosceptic right wing by reiterating her demand that the government should rule out sterling's participation in a single European currency.

Ministers were last night shocked by the scale of her criticism of the current administration. With the government's majority expected to fall to one after two imminent by-elections, party managers are desperate to keep open dissent to a minimum.

However, Mr John Redwood, the backbench leader of the Eurosceptic right who was praised by Lady Thatcher for his opposition to a single currency, said he was sure she was not motivated by "malice". He said she was obliged to discuss domestic political issues, given her agreement to give the speech honouring the late Lord Joseph.

Close friends and advisers of Lady Thatcher said her aim had been to be supportive of Mr Major and attack the opposition Labour party. However right wing Tory MPs contrasted her vision of a low spending, Eurosceptic government with what one described as the "muddle we get from Major".

However, she rejected the view of some Eurosceptics that "the only hope for the Conservative party is a period in opposition", during which left wing MPs would be purged.

She made no attempt to disguise her belief that the prime minister must come off the fence on a single currency and oppose sterling's membership.

Hashimoto elected as Japan PM

Continued from Page 1

experience, to bolster his forces against a newly aggressive opposition.

Mr Seiroku Kajiyama, an LDP veteran who refused the offer of finance minister, becomes chief cabinet secretary, which brings with it the tasks of government spokesman and co-ordinator with the bureaucracy and opposition. A skilled strategist, he will take the lead in fending off attacks from the opposition leader.

The foreign ministry goes to Mr Yukihiko Ikeda, a former director-general of the defence agency, Japan's equivalent of a defence minister. He is seen as a defender of relations with the US and shares Mr Hashimoto's preference for a stronger military.

The new minister of international trade and industry by – Mr Hashimoto's post in the last government – is Mr Shumpei Tsukahara, a former labour minister and a leading campaigner for Mr Hashimoto in last September's LDP leadership election.

Malaysian PM calls for export drive to overcome trade deficit

By Peter Montagnon, Asia Editor, in London

Malaysia must launch a fresh export drive to overcome a fast-growing balance of payments deficit, prime minister Mahathir Mohamad warned yesterday.

He said the deficit could be overcome without cancelling prestige infrastructure projects or tightening monetary policy, which would slow the country's rapid rate of economic growth.

Dr Mahathir was speaking at a conference in Kuala Lumpur called to discuss the current account deficit, which jumped sharply last year to M$18bn ($7.1bn) – around 9 per cent of gross domestic product – from M$10.9bn in 1994.

The deficit has been a worry in financial markets. Economists say it cannot be brought down without further efforts to lower growth, control credit and curb consumer consumption. However, Dr Mahathir was adamant that Malaysia's economy was not overheating. "Fiddling with interest rates and exchange rates are not the solution," he said.

Low growth could make developing countries dependent on aid and prey to social instability. Instead Malaysia would encourage companies to tap foreign markets in an export drive aimed at maximising the benefit from economies of scale, he said.

Dr Mahathir said Malaysia's M$19.5bn deficit with Japan – caused partly by the import of components priced in expensive yen – was the main cause of the overall deficit.

He added that Malaysia's poorly performing services account should also be improved with efforts to boost tourism and reduce the outlay on education. Foreign universities were to be encouraged to set up colleges inside Malaysia along a pattern already established by Thailand.

Economists said further monetary tightening looked inevitable. Reserves have slipped to some four months of imports from around eight months a year ago. The payments deficit may also become harder to finance if foreign investment slows, especially since many early investors are now remitting profits home.

Malaysian interest rates have risen over the past 18 months with three-month interbank money standing around 6¼ per cent compared with a trough of 4¾ per cent in mid-1994.

Fidelity sale

Continued from Page 1

about stocks as they were selling them. Fidelity denied the claims, but told portfolio managers last month they should not talk to journalists about specific stocks.

During November, the Magellan fund's weighting in equities dropped from 95.7 per cent to 81.7 per cent, while holdings of bonds rose from 1.5 per cent to 11.6 per cent and cash from 2.8 to 6.7.

Its largest single holding at the end of November was a position in the S&P 500 December futures contract, a proxy for the equity market. The next three largest holdings were of US Treasury bonds and notes. This could mean Mr Vinik was finding a short-term home for proceeds of technology sales until he could reinvest elsewhere.

THE LEX COLUMN

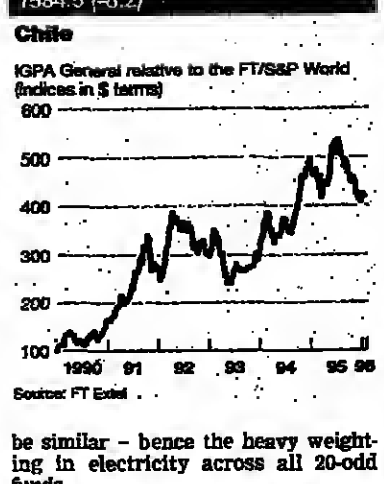
Refining strategy

British Petroleum's management has cultivated a reputation for grasping nettles. Yesterday's announcement of plans to close or sell three uneconomic refineries was no exception. The industry suffers from excess capacity, much of it foolishly added during the Gulf war when refining margins shot up.

With margins now wafer-thin, especially in Europe, inefficient refineries are losing money. BP's three refineries are not generating sufficient cash to pay for maintenance capital expenditure. Though the immediate $1.1bn balance sheet hit is painful, the impact on BP's profitability will be significant. Analysts estimate losses of up to $200m could be eliminated.

On its own, BP's action is too small to boost world refining margins much. BP itself is rather downbeat about prospects. Nevertheless, the overcapacity problem is gradually sorting itself out. Not only will new capacity additions start tailing off after this year; other producers may follow BP in scrapping or selling uneconomic refineries. If margins rebound strongly, BP's move will look premature. That said, it is probably wise to take control of its own fate rather than betting on market forces to bail it out.

FT-SE Eurotrack 200: 1584.5 (-6.2)



Source: FT Extel

Chilean pensions

Chile's pension reform, introduced in 1982, has long been held up as a model of how to move from state-funded pensions to a privately-financed system. The fact that the country's private pension funds made their first losses last year is therefore embarrassing. But it does not undermine the system as a whole.

The losses – a 2.5 per cent decline in real terms – are largely due to the fact that the funds had 40 per cent of their assets tied up in electricity shares. Unfortunately, that sector was hammered in 1995 as Chile's two main generators raced to build pipelines across the Andes, raising fears of overcapacity. The wider stock market's flat performance did not help. Nor did higher interest rates, which cut into the value of fixed-interest holdings.

This does expose the risk of not diversifying pension portfolios, but so far fund managers have had little choice. Investment restrictions have largely limited the funds to domestic bonds and equities, although this is being gradually relaxed. However, fund managers must repay contributions if they badly under-perform their peers, so investment strategies tend to be similar – hence the heavy weighting in electricity across all 20-odd funds.

But those are minor niggles compared to their overall success. Since inception, the funds have generated annual real returns of 17-18 per cent. Their assets stand at $25bn, a quarter of gross domestic product, much of which has been channelled into Chilean industry.

Lonrho

Lonrho is a merchant banker's dream. A tangled web of unrelated businesses, it has been almost impossible to value. Given the opacity of its business structure, investors have always been asked to take too much on trust. The group also has a cash flow problem. In addition to its numerous underperforming businesses, much of its earnings come from subsidiaries or associates which only contribute dividends. Hence, Lonrho's 10 unbroken years of free cash outflows. It is therefore a business that is begging for the corporate financier's scalpel.

Stage one of the process will do least for its shares. By demerging its mining division, Lonrho plans to create a listed holding company for assets which are already listed companies. Lonrho could not pass on much debt to the demerged business. And the mining house would probably suffer the 15 per cent or so discount to net asset value of its peers. However, it would succeed in separating its less cash generative business into a low-dividend paying entity. This would leave the rest of Lonrho more highly geared, but better able to pay its dividends out of cash flow. Lonrho should proceed rapidly with stage two – splitting off the remaining hotel, African trading and sugar businesses. On current asset valuations, Lonrho looks fairly valued. But separate trading and hotels business should benefit from greater management attention and possibly, takeover speculation. Lonrho has the opportunity to deliver much more to its shareholders.

Trafalgar House

Trafalgar House's embattled investors may have yet another reason to feel aggrieved. The company's proposed sale of Ideal Homes to Persimmon has sparked a row with Beazer Homes, which was itself interested in buying Trafalgar's housebuilding operations. Beazer is outraged that Trafalgar has granted Persimmon a period of exclusivity to negotiate a deal. It is suggesting it might have been prepared to top Persimmon's offer, known to include a premium to Ideal Homes' £151m book value.

Clearly the value of this deal, like most of its kind, will be more than a headline price. Beazer, for example, has said it would be prepared to make an attractive offer for any tax losses. Persimmon may indeed be offering a better overall package. But it is difficult to see what would have been lost by encouraging the two interested parties – and any others – to bid up the price for Ideal Homes. Of course, there is a danger that by putting any business up for auction a company may create the impression of being a forced seller. But Trafalgar has been expected to sell Ideal Homes for some time. Indeed, given its own cash-flow problems Trafalgar needs as much money as it can get.

British Gas

Who is going to bear the pain from British Gas's unprofitable "take-or-pay" contracts, which commit the company to buying vast quantities of gas at substantially more than the current market price? There are three candidates: producers, consumers or British Gas. The company's proposals to government, though elaborate in detail, fit into two of these three categories. No prizes for guessing that the one candidate not expected to bear the pain is the British Gas supply business itself.

Additional Lex comment on Sears, Page 24

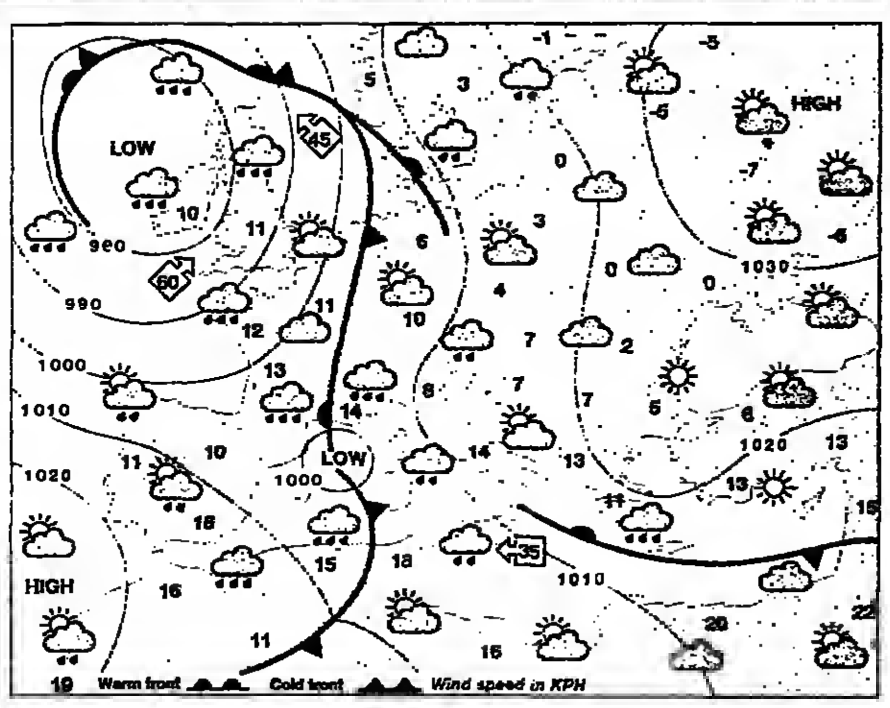
FT WEATHER GUIDE

Europe today

Western Europe will be windy and mild because of an active low pressure area near Scotland. Heavy showers with a risk of thunder are expected in the UK and western France, with strong to near gale force southerly winds. South-eastern France will continue rainy. Spain will have abundant cloud and rain in the north and sunny spells in the south. Southern slopes of the Alps and northern Italy will have rain, with snow expected above 2,000 metres. The northern slopes will be dry and mild. Greece and the eastern Mediterranean will continue sunny with only some cloud near Crete. The northern Balkans and north-eastern Europe will be mainly dry with persistent cloud and moderate to severe frost.

Five-day forecast

The western Mediterranean will be drier after Saturday. A high pressure area across north-eastern Europe will move into western Europe, bringing colder conditions for the most of the continent. Depressions will take a northerly course into northern Scandinavia producing snow and rain. The western UK will continue windy and unsettled during the weekend but will turn calm and dry.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

City		Maximum Celsius
Abu Dhabi	fair	23
Accra	fair	33
Algiers	shower	15
Amsterdam	drzl	9
Athens	fair	12
Atlanta	cloudy	2
B. Aires	sun	35
B.ham	rain	11
Bangkok	fair	32
Barcelona	cloudy	13
Beijing	sun	2
Belfast	rain	9
Belgrade	fair	7
Berlin	fair	2
Bermuda	fair	19
Bogota	fair	20
Bombay	sun	23
Brussels	drzl	11
Budapest	cloudy	4
C.hagen	fair	3
Cairo	sun	17
Cape Town	sun	26
Caracas	fair	30
Cardiff	rain	11
Casablanca	shower	16
Chicago	cloudy	0
Cologne	cloudy	8
Dakar	fair	27
Dallas	sun	18
Delhi	sun	22
Dubai	fair	24
Dublin	rain	10
Dubrovnik	cloudy	12
Edinburgh	rain	10
Faro	shower	16
Frankfurt	cloudy	5
Geneva	rain	3
Gibraltar	shower	16
Glasgow	rain	13
Hamburg	fair	4
Helsinki	cloudy	-4
Hong Kong	cloudy	23
Honolulu	fair	26
Istanbul	sun	6
Jakarta	cloudy	31
Jersey	rain	10
Karachi	sun	26
Kuwait	fair	15
L. Angeles	sun	25
Las Palmas	fair	22
Lima	fair	26
Lisbon	rain	13
London	rain	12
Lux.bourg	shower	8
Lyon	rain	9
Madeira	fair	13
Madrid	fair	9
Majorca	cloudy	15
Malta	rain	16
Manchester	rain	12
Manila	cloudy	30
Melbourne	fair	22
Mexico City	sun	18
Miami	cloudy	23
Milan	rain	6
Montreal	sun	-9
Moscow	fair	-5
Munich	fair	6
Nairobi	fair	27
Naples	cloudy	15
Nassau	fair	25
New York	snow	1
Nice	rain	14
Nicosia	sun	15
Oslo	shower	-1
Paris	fair	11
Perth	sun	29
Prague	fair	2
Rangoon	sun	33
Reykjavik	shower	5
Rio	cloudy	30
Rome	shower	16
S. Frsco	fair	15
Seoul	sun	5
Singapore	cloudy	30
Stockholm	cloudy	1
Strasbourg	fair	8
Sydney	cloudy	25
Tangier	shower	15
Tel Aviv	fair	17
Tokyo	fair	9
Toronto	cloudy	-3
Vancouver	rain	11
Venice	shower	10
Vienna	fair	4
Warsaw	fair	3
Washington	snow	-2
Wellington	rain	20
Winnipeg	cloudy	-3
Zurich	rain	8

IN BRIEF

JP Morgan rises sharply to $366m

J.P. Morgan's move into the investment banking business continued on track in the final months of last year as the New York-based bank reported a further jump in income from securities underwriting and merger advisory work. Its after-tax profits for the period climbed to $366m, or $1.80 a share, from a depressed $193m, or 96 cents, a year before. Page 23

Prince – artist formerly working for Warner

Prince (left), the pop-star widely known for having changed his name to an unpronounceable squiggle, announced he was breaking with Warner Bros Records of the US, blaming corporate turmoil for his decision. A statement from the singer-guitarist, who has been with the Time Warner music subsidiary for almost 20 years, said the "unstable and ever-changing management structure had made it impossible for the company to effectively market and promote its flagship artists". He said he was prepared to deliver three more albums under the Prince tag and thus fulfil his contract. Page 23

Lyonnaise predicts profits fall for 1995

Lyonnaise des Eaux, the French water and utility group, warned its large stakes in Elyo, the French energy and heating company, and Brochier, the German construction and pipe group, would drag its 1995 net profits below their FFr1.06bn ($215m) level in 1994. Page 22

KLM takes 26% stake in Kenya Airways

KLM, the Dutch national carrier, is to pay $26m to acquire a 26 per cent stake in Kenya Airways. The deal, first signalled last month as the two parties went into to detailed negotiations, is the flagship of the east African government's three-year privatisation and reform programme. Page 23

UK building society to convert to bank

Woolwich Building Society, the UK's third largest, said it planned to become a bank and use its new status as a public limited company to make acquisitions. The decision should lead to the distribution of free shares to up to 3.5m qualifying savers and borrowers at the time of flotation, which is due to take place in late 1997. Page 24

Gold shares enjoy mixed fortunes

There were mixed fortunes for gold-related stocks as gold futures rose to $400 per troy ounce in New York. In Tokyo and Manila, the recent rise in gold markets lifted mining stocks, while Johannesburg's gold shares shot up to a 12-month high on the back of the firmer bullion price. However, gold stocks fell in Toronto as investors took profits. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
AG Ind & Verk	26.1	-	2.4
Asko Prf	672	-	28
DLW	233	-	6
GEHE	722.5	-	11.5
Hertie	261	-	5.5
KB Deutsche	275.5	-	6
NEW YORK ($)			
Rises			
Gucci	35¾	+	2⅛
Seagate Tech	50	+	2¼
Sterling Shw	52⅛	+	3½
Falls			
Dana Corp	16½	-	1⅛
Stewboat	22¾	-	2⅛
Wolfman	19¾	-	3¼
LONDON (Pence)			
Rises			
Chrysalis	404	+	31
GBE Int	56	+	5
Vtech Hldgs	148	+	14½
Falls			
Persimmon	199	-	10
Storehouse	300½	-	20½
Telspec	788	-	37
TORONTO (C$)			
Rises			
Gandalf Techs	19¼	+	1⅝
Loc Lab Netw	14¾	+	1⅛
PC Docs	19⅛	+	1⅛
Falls			
Arequipa Res	6	-	¾
Future Shop	11½	-	1⅛
Intertape Poly	32	-	0.75
PARIS (FFr)			
Rises			
Fromageries Bel	4675	+	135
Falls			
Fonc Lyonnaise	500	-	21
GTM-Entrepose	318	-	30.2
Immobanque	669	-	21
Navigation Mixt	880	-	28
Saint Gobain	564	-	20
TOKYO (Yen)			
Rises			
Kanematsu	508	+	21
Kurabo Ind	480	+	36
Mori Seiki	2470	+	160
Falls			
Kyotaru	685	-	30
Long Term Cred	836	-	34
TDK	5110	-	340
HONG KONG (HK$)			
Rises			
Cons Elec Pwr	7.9	+	0.6
Kiper Hing Hong	5.65	+	0.825
Sino Land	7	+	0.4
Falls			
Best Wide	0.51	-	0.08
Interform Cer	0.58	-	0.11
Pricerite	0.55	-	0.18
BANGKOK (Baht)			
Rises			
Asia Secs	87	+	6
Multi Credit	169	+	10
Sicco	66	+	5.5
Thai Fint	81	+	7
Falls			
Boutique New	27.25	-	3
Thai DPP	41	-	3

New York and Toronto prices at 12:30.

BP to shed refineries and cut capacity

By Robert Corzine in London

British Petroleum is to sell two refineries and close another as part of a restructuring which will cut 30 per cent of its worldwide refining capacity.

The company is to take a $1.1bn charge in its results for the fourth quarter of 1995 to cover the costs of planned sales of its refineries at Lima in the US state of Ohio, and Lavera, France, and the closure of the Pernis section of the Nerefco refinery in Rotterdam. The Netherlands.

The rationalisation will not affect BP's UK operations.

Mr John Browne, BP's chief executive, said overcapacity in the sector and thin refining margins in most of the world meant "only a few companies can make a decent return in the industry".

He said BP had no intention of quitting refining. Yesterday's move would allow the company to concentrate on those refineries which could be "among the most competitive in the regions in which they operate".

The company began the restructuring last November with the sale of its Marcus Hook refinery in the US to Tosco, the US refining group, for $225m. BP took a charge of $385m in its third-quarter last year to cover book value losses and potential environmental liabilities at Marcus Hook.

Although BP's share price closed last night at 520½p, 13½p down, analysts generally welcomed the decision, which some said might prompt other large integrated oil companies to embark on similar rationalisations.

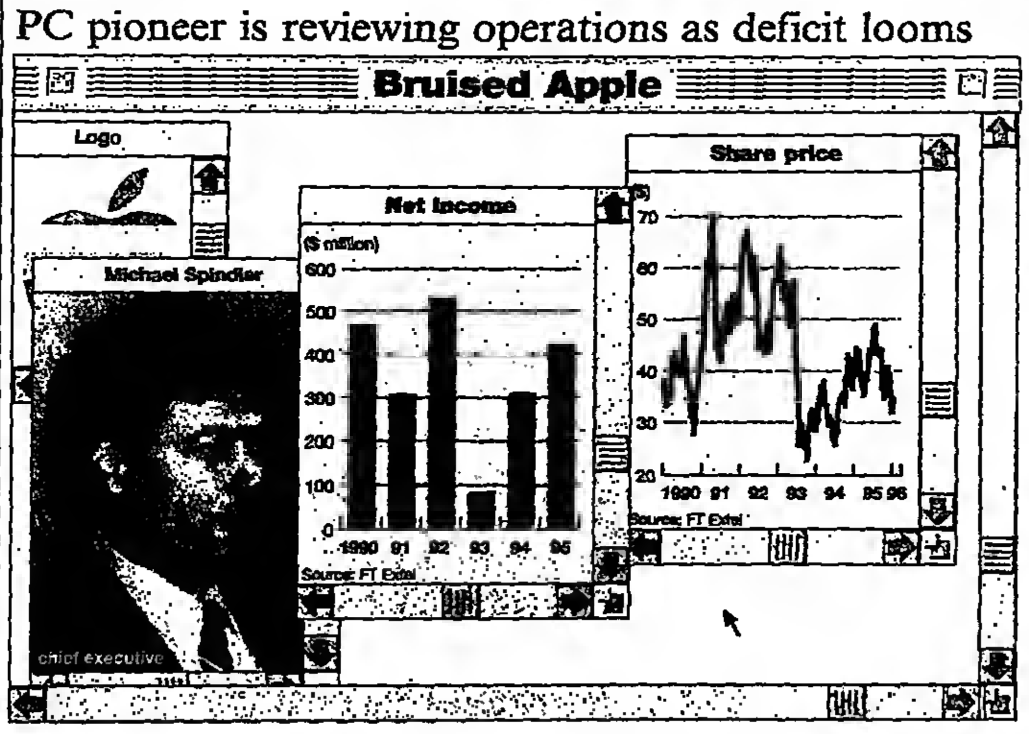
"Other companies face the same dilemma as BP, and this should make it easier for them to take the same action," said Mr Jeremy Hodson, energy analyst at brokers Salomon Brothers in London.

Mr Browne said no buyers had been lined up for either of the refineries to be sold. BP would prefer outright sales, but would consider joint ventures or other co-operative proposals.

The closure of the two "was an option" if buyers failed to materialise, said Mr Browne. Further refinery rationalisation was also possible, although "I don't expect further moves on this scale". BP's refining capacity will be cut from 2m barrels a day to 1.4m b/d. That is 400,000 b/d less than its sales. BP will make up the difference by buying on international wholesale markets.

Mr Browne said six of BP's remaining refineries already met the company's new criteria that they should be in "the top 25 per cent in efficiency and profitability" in their region. More money would be invested in five others to bring them up to the same position, he added. An exercise in self-help, Page 19; Lex, Page 20

PC pioneer is reviewing operations as deficit looms



Apple left with few options as strategy turns sour

Apple Computer is headed for a bruising fall. The personal computer industry pioneer expects heavy losses for the Christmas quarter and is preparing cuts and management changes.

Faced with severe price competition, particularly in the US and Japan, and the rising popularity of rival PC products based on Intel microprocessor chips and Microsoft Windows software, the 20-year-old company has been forced to slash prices.

The strategy, developed by Mr Michael Spindler, who took over as chief executive of Apple in 1993, has been aimed at lifting Apple's 9 per cent market share towards an ambitious target of 20 per cent. That strategy appears to have failed.

Apple announced on Wednesday that it anticipated an after-tax loss of about $68m for the first fiscal quarter ended December 29. Restructuring charges, as yet unspecified, as well as an $80m write-down of the value of its inventories, will make Apple's net losses for the quarter much deeper.

Apple said it was undertaking a "thorough review" of its operations. Analysts expect this to result in lay-offs of up to 2,000 employees – nearly 15 per cent of the workforce – and the possible sale or closure of some of the company's operations.

The expected loss has heightened perennial speculation about a merger or takeover.

Following the departure over the past few months of Apple's chief financial officer and top marketing executive, the company this week announced the resignations of two more senior executives: Ms Barbara Krause, vice-president of communications, and Mr Keith Fox, vice-president in charge of the home computer division. The role of Mr Spindler is in the balance, say industry analysts.

Apple's core problem is that its research and development costs are higher than its competitors because its Macintosh computers are based on proprietary hardware and software technologies.

Until last year, Apple was able to charge premium prices for these computers because they boasted superior "ease of use" features. Advances in Microsoft's Windows software, and the introduction of Windows 95 last August, have narrowed Apple's technology advantage and forced the company to compete on price.

In the US, Apple slashed its Macintosh prices shortly before Christmas to generate higher sales growth. In Japan, where competition has been particularly fierce, Appla has been selling some of its Macintosh PC models balow cost, the company acknowledged.

"Apple's operating strategy is now in real troubla," said Mr Tim Bajarin, president of Creative Strategies Research International of San Jose, California, an industry consulting group.

Gross profit margins, as a percentage of sales, have fallen from 28.7 per cent a year ago to only about 15 per cent in the latest quarter, the company said.

"Apple can no longer afford to participate in the low end of the PC market where profit margins are very thin," said Mr Bajarin. He predicts Appla will withdraw from the "entry level" PC market for low-cost computers and will concentrate on higher performance machines that carry a bigger profit margin.

"I expect some strong statements from Apple about which segments of the PC market it wants to pursue," when the company announces its first-quarter results next week, he said.

Apple appears destined to become a niche player in the PC industry, focusing on specific segments such as publishing and the arts where it has performed well.

Even a partial withdrawal from US consumer PCs could have serious consequences. Apple risks damaging the fierce loyalty of its customers, and losing the support of third-party software developers who create application programs for PCs.

Yet Apple has few options. Moves to license Macintosh technology to other computer manufacturers, to expand the market for Macintosh applications and create a revenue stream from royalties, have met with limited success. Mr Bajarin says Apple hung on to its proprietary technology for too long and then did "too little, too late".

As Apple narrows its focus to specific segments of the PC market, opportunities for broader licencing agreements may emerge, industry analysts said.

Meanwhile, rumours of an Apple takeover or merger persist as tha company's share prica declines. While Oracle is the only company to have expressed an interest in Apple, other companies mentioned as potential partners include International Business Machines, Motorola, Sun Microsystems, and Sony of Japan. However, most analysts believe that it would still cost about $12bn to acquire Apple – a figure which looks high given the scale of Apple's problems – and it appears that Apple has missed opportunities to find a buyer.

Louise Kehoe and Paul Taylor

Lonrho plans demerger of mines into $1.5bn operation

By David Wighton in London

Lonrho, the mining and trading group built up by its former chief executive Mr Tiny Rowland, yesterday anoounced plans to demerge its mining interests into a new quoted company valued at more than £1bn ($1.55bn).

The group reported higher-than-expected full-year profits of £151m, up 40 per cent, before exceptional items. The shares rose 5¼p to 192¼p valuing the group at £1.5bn.

Mr Dieter Bock, the German financier who ousted Mr Rowland last year, said Lonrho's conglomerate structure meant the value of its assets was not properly reflected in its share price. "This accordingly reduces our ability to develop those businesses."

He described the mining demerger as a first step and while be stressed no decisions had been made about other parts of the group, analysts helieve Lonrho will sell its hotels and hive off its African trading operations into a separate company.

Lonrho's mining assets include a 41 per cent stake in Ashanti Goldfields, the quoted Ghanaian-based gold miner, and platinum interests in South Africa which it has agreed to put into a quoted joint venture with Gencor, the South African mining group. Lonrho also owns Duiker, a South African coal mining company, and is the leading gold miner in Zimbabwe.

Apart from the small Zimbabwe operation, all the assets are separately quoted companies with Lonrho's stakes valued at just over £1bn. The mining interests made profits of £83m last year before exceptionals and tax and before minorities of £11m, compared with £72m in the previous year.

The demerger will not take place until the summer at the earliest, not least because Lonrho is awaiting clearance from the European Commission for the platinum joint venture. Some analysts said Lonrho might sell the mining interests if it received an attractive offer from the likes of Anglo American, the South African mining group which is thought to be interested.

Assuming the demerger goes ahead it will take the form of a liquidation and reconstruction which would be tax-free with no costs other than professional fees. Lonrho's investors will receive shares in the mining operation and new shares in the remaining group with the existing shares rendered valueless.

Mr Bock said no final decisions have been made on management or the allocation of Lonrho's £530m of central debt between the two companies. But it is expected the mining company will be beaded by Mr Terencs Wilkinson, who is responsible for Lonrbo's mining operations in South Africa, Namibia and Zimbabwe, under a non-executive chairman recruited from outside the group. Mr Bock is likely to have a seat on the board bnt devote most of his time to the remaining group.

Orange aims to float in March

By Bernard Gray and Christopher Price in London

Orange, the digital mobile phone network, is to be floated in London and New York in March, provided there is not a slump in world equity prices in the next few weeks. The company is expected to be valued at around £2.2bn ($3.4bn).

Orange's two owners, Hutchison Whampoa, the Hong Kong conglomerate, and British Aerospace, intend to sell 25 per cent of their shareboldings in the offer; Hutchison's stake will fall from 68.5 per cent to around 51 per cent and BAe's interest will fall from 31.5 per cent to about 24 per cent.

No new funds will be raised in the flotation, which is being organised by Dresdner Kleinwort Benson and Goldman Sachs. However, with 25 per cent of the existing shares available to outside investors, the company should be eligible to join the FT-SE 100 index of leading companies on the UK stock market.

Orange's board is also being reconstituted, bringing in senior non-executive directors. Presentations to UK analysts and investors are likely from mid-February and a roadshow is being booked.

The listing will capitalise on the positive sentiment surrounding Orange, which is Britain's fastest growing mobile network operator. The company exceeded analysts' expectations by attracting 50,000 new subscribers in December.

Orange refinanced £1.2bn of debt at the end of 1995, repaying loans made by the shareholders to finance the roll-out of its network, in preparation for the sale. The original shareholders had around half of their investment repaid in the debt refinancing, and the flotation will effectively repay the other half, leaving both companies with their reduced shareholdings effectively at zero cost.

BAe has invested about £300m in Orange so far, received £140m from the refinancing, and is likely to receive abont £180m from reducing its stake. Hutchison will receive about twice that amount.

Barney's files for Chapter 11 as dispute with Isetan grows

By Tony Jackson in New York

Barney's, the up-market Nsw York fashion retailer, has filed for Chapter 11 bankruptcy amid an acrimonious dispute with its Japanese partner Isetan, the retail group.

The company said it planned legal action against Isetan for withdrawing $50m from the companies' joint business.

Barney's difficulties represent the latest example of problematic Japanese investments in the US.

Isetan, which said it had invested or lent Y61.6bn ($583m) in the privately-owned Barney's, formed a partnership with the New York company in 1989 to help its ambitious expansion plans in the US and Asia. These inclnded a store on New York's Madison Avenue, complated in 1993 at a cost of about $185m, and stores in Tokyo and Beverly Hills.

Isetan said yesterday that Barney had stopped payments on its loans in March last year. It also claimed it had learnt in November that Barney's had been heavily lossmaking, contrary to its previous claims.

It was reported yesterday that Chemical Bank, which raised $40m of private finance for Barney's in 1994, would provide $100m to support the business through its Chapter 11 reorganisation. Barney's and Chemical were unavailable for comment.

Barney's is beaded by Mr Gene Pressman and Mr Robert Pressman, who were appointed joint chairmen a year ago. Their grandfather, Mr Barney Pressman, founder of the business, died in 1991.

The joint venture with Isetan was aimed at opening stores in Japan and Asia, as well as adding 30 outlets in the US to Barney's two stores in Manhattan over a space of five years.

Speculation of difficulties at Barney's have surfaced before, due to reports of late payments to snppliers and contractors. Two years ago, the company released financial data for the first time to dispel fears, showing a net profit of $5.9m on sales of $150m for the last five months of 1993.

Yesterday, the company was reported as saying that sales in the same period of 1995 had been up 12 per cent on the year before, and its gross margin had improved. The company said it planned to submit a reorganisation plan which would repay 100 per cent of its obligations to banks and creditors.

In the US, a company can file for protection under Chapter 11 of the country's bankruptcy laws. The company continues to operate under existing management while working with creditors to reorganise the business.

EUROPEAN NEWS DIGEST

Investment for Greek gold plant

TVX Hellas, a subsidiary of Canada's TVX Gold, is investing $150m to build a gold extraction plant at Kassandra Mines, the northern Greek base metals producer. Government officials said it would be the largest foreign investment in Greece for more than a decade. The deal also marks the first large privatisation to be completed in Greece for more than two years.

TVX Hellas acquired Kassandra, a state-owned facility in liquidation, for Dr11.2bn ($47m) after negotiations with the industry ministry, which runs the government's privatisation programme. The company will make a down payment of Dr4.5bn with the remainder to be paid in equal annual instalments over the next five years, plus interest. Kassandra's assets include three mines producing lead, zinc and silver, milling facilities and a ship-loading installation. During 20 years of mining operations, Kassandra also built up a 200,000-tonne stockpile of gold-bearing pyrite with a gold content of about 25 grams a tonne – equivalent to about 145,000 ounces of gold.

Kassandra has ore reserves estimated at 14m tonnes with a grade of 6 grams a tonne of gold. The Greek government is expected to provide up to $68m towards TVX Hellas's total investment of $204m over the next three years. The extraction plant will produce 190,000 ounces of gold equivalent in the first year of operation. *Kerin Hope, Athens*

Italian bankers join Ina board

The chairmen of three Italian banks have joined the board of Ina, the Italian insurer, after taking just under 10 per cent of the company's shares in the second stage of its privatisation last year. Shareholders appointed Mr Luigi Arcuti, chairman of Imi, Mr Gianni Zandano, chairman of San Paolo di Torino, and Mr Sandro Molinari, chairman of Cariplo of Milan, to the board. They also joined the executive committee. Mr Sergio Siglienti was reconfirmed as chairman of the group for the three years. *Andrew Hill, Milan*

RWE enters telecoms link-up

RWE, the industrial conglomerate built around Germany's biggest utility, has signed contracts with two other utilities, VEW and VEAG, to pool their various telecoms activities. The three companies will link their electricity grids and adapt them to carry telecoms services. VEW supplies electricity in north-western Germany while VEAG is the utility covering most of eastern Germany. Talks are continuing to bring the other utilities into the new venture. *Michael Lindemann, Bonn*

Setback for Veba

Veba, the German industrial conglomerate, yesterday suffered a setback in its efforts to branch out into telecoms when it emerged the group was no longer in the running for a 49.9 per cent stake in DBKom, the telecoms subsidiary of the federal railway network, Deutsche Bahn. *Michael Lindemann*

Norwegian bank stake for sale

Norway's Government Bank Investment Fund, which holds the state's extensive bank shareholdings, signalled it would sell its 41 per cent stake in Union Bank of Norway – presently worth NKr1.65bn ($280m) – within three months. The fund planned to sell its 10m primary capital certificates in the bank, the country's largest savings bank with assets of about NKr100bn. The bank was the only large banking institution to survive the loan-loss crisis of the early 1990s without requiring a state bail out. But the government fund bought its stake through an issue of convertible bonds as part of its general measures to bolster the banking system. Kleinwort Benson has been appointed global co-ordinator for the issue. *Hugh Carnegy, Stockholm*

■ SAP, the German software group, said three of its founder shareholders had transferred a 38.11 per cent of their holdings into three non-profit foundations and a trust to maintain the company's independence. The four institutions intend to reach an agreement to have a consensus voting right. *AFX News, Walldorf*

■ Cofir, the Spanish company, confirmed it had broken off talks to acquire a 60 per cent stake in Telepizza from the company's minority shareholders. Cofir said it did not agree with Telepizza's Pta9bn ($74m) valuation. Telepizza has about 250 owned and franchised outlets. *AFX News, Madrid*

■ Accor, the French hotels group, expected to raise about FFr1.7bn ($344m) from the previously-announced sale of 17 buildings in its Sofitel chain. The sale should be completed by the end of the first half of 1996, said Accor, confirming a report in Les Echos newspaper. *AFX News, Paris*

■ Siemens, the German electronics group, would propose the issue of up to DM500m ($347m) in nominal authorised capital at its shareholders meeting on February 22, the company said. It would also propose splitting its stock's nominal value to DM5 from DM50. *AFX News, Munich*

Lyonnaise des Eaux warns of profits setback

By David Buchan in Paris

Lyonnaise des Eaux, the French water and utility group, yesterday warned its large stakes in Elyo, the French energy and heating company, and Brochier, the German construction and pipe group, would drag its 1995 net profits below their FFr1.06bn level in 1994.

Despite earlier warnings last month of problems in these two companies, the market took the Lyonnaise announcement badly, marking down the group's shares sharply in Paris although they recovered to end nearly 3 per cent down at FFr467.90 a share on the day. Analysts were yesterday predicting 1995 net profits in the range of FFr900m ($182.5m).

Lyonnaise said total sales remained "stable" last year in line with its FFr99.96bn turnover in 1994. The group forecast an improvement this year, particularly in its service sector abroad where Lyonnaise has just acquired Northumbrian Water in the UK.

Elyo, in which Lyonnaise has a 56 per cent controlling stake, is a FFr10bn-a-year French business in management and maintenance of buildings, provision of heating equipment and waste incineration, and gas and electricity distribution. It has suffered from last year's warm weather and from the continued French property market slump. Elyo, which made a FFr363m operating profit in 1994 (of which a net FFr110m profit was for Lyonnaise) consequently fell into loss last year.

The group's other problem is its 38.8 per cent stake in Brochier, which, in the generally unpromising climate for the construction sector overreached itself by fast expansion in eastern Germany.

At very least, Lyonnaise is expected to have to write off FFr160m of the goodwill it paid for in its initial 1993 purchase of 25 per cent of Brochier, subsequently increased. At worst, Lyonnaise might pull out of Brochier altogether, a possibility which the French group did not last night exclude.

Lyonnaise began last year by signalling an increase in profits of as much as 25 per cent. During the first half it achieved a 17 per cent increase in net profits to FFr506m on unchanged turnover. But since then the general economic climate for Lyonnaise, where management effort has been focused on putting new ethics and internal audit committees in place, has deteriorated.

Debt fund planned for central and east Europe

By John Thornhill in Moscow

International investors should be able to access some of the highest yielding government paper in the world through a specialist fund being created by the Templeton fund management group. The company aims to raise $300m to purchase central and eastern European government debt instruments.

The fund, which is being marketed later this month, promises to give institutional investors direct exposure to the region's debt markets, which are potentially highly lucrative but are thick with administrative obstacles and political and currency risks.

Managed from Edinburgh but incorporated in Luxembourg, the fund would invest in government securities markets throughout eastern and central Europe, which are expanding quickly as the region's governments seek more sophisticated ways of financing their budgetary needs. The fund is likely to be open-ended but shareholders could redeem their investments every six months.

The Russian central bank is also considering allowing foreigners greater direct access to the Russian Treasury-bill (GKO) market. In an interview with the Russian Expert magazine, Mr Anatoly Chubais, the first deputy prime minister and standard bearer of economic reform, forecast the government could raise an additional $2bn-$3bn in the next six months if the GKO market were liberalised.

Foreign investors have been clamouring to gain access to GKO market, which currently offers annualised yields of more than 85 per cent in rouble terms.

The Russian government's success in holding the rouble steady against the US dollar since last summer has reduced the perceived currency risk and increased GKO yields in hard currency terms.

Foreign investors are allowed to buy 10 per cent of the primary issue of GKOs but there are restrictions on repatriating profits. Some investment banks have constructed "synthetic" investments, giving investors exposure to GKO yields without holding the instruments.

The Templeton fund may try to skirt the restrictions by buying as much as $30m of GKOs through a Russian partner company, likely to be Vneshtorgbank, Russia's second largest bank in terms of assets.

Many Russian banks are opposed to an opening up of the GKO market which would have the effect of driving down yields.

The central bank has used the GKO market to inject liquidity into the banking system after the temporary paralysis of the inter-bank lending market last year.

Although the current returns on GKOs are high, the risks are also considerable. The prospects of a communist candidate winning the presidential elections in June could undermine the rouble. Mr Chubais put the odds on a communist victory at 40:60.

Templeton has been one of the most active investment funds in eastern Europe.

Hamburg real estate business falters

By Judy Dempsey in Berlin

A leading Hamburg property developer is expected to face bankruptcy charges after running up debts of more than DM1bn ($695m) on building projects in Hamburg and the state of Schleswig-Holstein, bankers yesterday confirmed.

Mr Hans-Erich Dabelstein, who owns a privately-run real estate company, had recently acquired substantial properties to develop housing units and office space in Hamburg and other regions about the city state.

An official from Commerzbank said Mr Dabelstein had problems finding tenants and leasing office space. "This is bad news for the Hamburg property market," he said. Commerzbank is one of several banks which has provided financing for Mr Dabelstein's projects.

Signs that he was facing difficulties emerged last November after Compagnie Nord, a small bank in Kiel, the state capital of Schleswig-Holstein, reported problems in receiving interest payments on loans to Mr Dabelstein, according to another banker. "This triggered off the distress signals. We knew something was afoot for the past two months," he added.

Mr Dabelstein was not available for comment yesterday. "He is ill. He cannot take your call. We cannot confirm any of this," a friend said.

Analysts had expected the Hamburg market to remain stable. Its office and retailing property, unlike Berlin, Frankfurt and east German cities, weathered the recession of the early 1990s.

But the market for leasing office space in the city has deteriorated, falling from 250,000 sq metres leased in 1992 to about 160,000 sq m leased last year. This followed the completion of 400,000 sq m of space in 1992 bringing the overall supply of office space to 10.8m sq m.

Saab car sales rise falls short of target

By Hugh Carnegy in Stockholm

Saab Automobile, the struggling Swedish carmaker managed and half-owned by General Motors, achieved an 11 per cent increase in car sales last year, but the total fell slightly short of earlier-stated targets and the company said the increase had come at the cost of lower margins.

Saab said it had sold 96,700 cars in 1995, up from 86,700 in 1994 and the highest level since 1989 when GM bought a 50 per cent stake in the company to become co-owner with Sweden's Wallenberg empire. Saab had hoped early in 1995 that it would top 100,000 sales.

But 1995 proved tougher than Saab had anticipated. After achieving its first annual profit in 1994 for six years, the company slumped to a loss of SKr322m ($48.93m) in the third quarter of last year, forcing it into the red for the whole of the first nine months.

No new financial figures were available yesterday. Mr Keith Butler-Wheelhouse, chief executive, said Saab had achieved its primary target of a substantial increase in sales, including an 18 per cent rise in the US, the company's biggest market.

But he added it came "at the expense of increased marketing costs, due to an overall weaker market situation in Saab's most important markets".

Keith Butler-Wheelhouse: Saab had achieved primary target of substantial sales increase

Discounting and other measures to stimulate sales of its 9000 and 900 models helped Saab raise sales in the US from 21,521 to 25,454. In the UK, the second-biggest export market, there was a 24 per cent increase from 9,339 to 11,534 cars. But the measures taken to secure these increases hit margins, the company said.

Saab said it had experienced a good start to this year in the US, the UK and Italy – an increasingly important market.

The lapse back into losses last year prompted Investor, the Wallenberg company which is GM's co-owner in Saab, to voice public worries about Saab's ability to sustain acceptable long-term profit levels. It said it was discussing the company's future with GM.

But GM reiterated its commitment to Saab, which it says it still intends to fill the role of providing luxury premium models not available from other GM operators.

Shareholders to restructure Cap Gemini

By Andrew Jack in Paris and Judy Dempsey in Berlin

The leading shareholders in Cap Gemini Sogeti, the large France-based computer consultancy business, yesterday announced a FFr2.1bn ($425m) refinancing and a new structure designed to clear up questions hovering over the ownership of the group.

Debis, the financial services and mobile communications division of Daimler-Benz of Germany, which had an option to take control of the group at the end of this month, will instead reduce its stake from 34 per cent to below 25 per cent.

At the same time, it will convert FFr900m of the FFr1.2bn it held in warrants issued by Cap Gemini into equity, sharply cutting the high level of debt held by the group.

The remaining injections come through a FFr900m contribution from CGIP, the French holding company, which reduces its stake to under 25 per cent, and Mr Serge Kampf, the founder of Sogeti in 1967, who provides FFr300m and will, along with managers, hold 30 per cent.

A new company called CGS will be formed through the restructuring, through the merger of Cap Gemini Sogeti with Sogeti SA, which currently controls 61.5 per cent of the shares.

About 30 per cent of the shares in the new group – compared with 31.8 per cent currently held in Cap Gemini Sogeti – will be publicly held.

Mr Kampf, 60, chairman and chief executive, said the decision was partly taken to ensure the group had "a more solid and durable shareholder than me" in the future.

"The new structure of the group will lead to a more efficient and leaner organisation," Mr Jürgen Schrempp, chairman of Daimler-Benz, said yesterday.

Debis, which is based in Berlin, first took a stake of 34 per cent in Cap Gemini Sogeti in 1991, and it had the option of increasing its ownership to 51 per cent at the end of January. But until now it has had to carry losses of about DM100m.

In 1994, Debis reported a rise in profits, from DM18m the previous year to DM66m, while sales surged, rising 14 per cent to DM10.8bn over the same period.

S&P criticises Poland's bank consolidation strategy

By Anthony Robinson

The Polish government's new bank consolidation and privatisation strategy "would not significantly enhance the credit-worthiness" of the two main banks involved "or be sufficient to propel either into the investment-grade range for zloty denominated obligations", according to Standard & Poor's, the international credit rating agency.

In the short term, the consolidation plans could increase credit risks, because of a difficult integration process and the nature of the enlarged loan portfolios. Longer term, however, both Polska Kasa Opiecka SA (Pekao) and Bank Handlowy, the two state-owned specialised banks chosen to incorporate smaller state owned banks before privatisation, should benefit from greater diversity and a stronger market share, it said.

Earlier bank privatisation strategies, which called for the gradual sell-off of nine commercial banks hived off from the central bank in 1989, have been expensive and time consuming, persuading the government to change tack.

Under the new strategy, announced late last year, Pekao will combine with Bank Depozytowo-Kredytowy, Powszechny Bank Gospodarczy and Polski Bank Rozwoju (BPR), while Handlowy will join forces with Pomorski Bank and Bank Przemyslowo-Handlowy (BPH). Existing shareholders of the partially privatised BPR and BPH have objected to being forced into an unwanted marriage. Standard & Poor's caution that objections from shareholders and from the regional banks' managers "could still scuttle the deal".

Transfusion of fresh blood for the Wallenberg empire

Mr Berthold Lindqvist, chief executive of the Swedish medical technology group Gambro, is about to be swallowed by the Wallenberg empire, Europe's most powerful industrial dynasty. He is not exactly brimming with enthusiasm about the prospect.

Mr Lindqvist said the bid by Incentive, a key Wallenberg holding company, to complete the full takeover of Gambro would be "neutral" on the target company.

Speaking from Gambro's headquarters in the southern university town of Lund, he said he especially regretted the end of Gambro's life as a bourse-listed company.

Gambro, which is the world's leading group in renal care, is set to make its first – and last – appearance in this year's FT500 as its share price has strengthened steadily. "The investment community had a very positive view of Gambro and that created a lot of commitment," he said.

But Mr Lindqvist has decided nevertheless to support the move by Incentive – which in any case has been the biggest shareholder since it first bought into Gambro in 1994. "I had some concerns. I must be honest. But I have decided to stay on and continue to run Gambro," he said.

What appears to have convinced him is the importance Gambro is now set to have for Incentive – which is committed to putting its financial and industrial clout behind the company's expansive strategy.

From Incentive's point of view, the full acquisition of Gambro is an important strategic turning point: to date a widely diversified conglomeration of various industrial holdings, Incentive now intends to remodel itself as a high-growth group with medical technology its core business.

"They have said they will sell assets not just to reduce Incentive's debts but also to support Gambro's expansion," says Mr Lindqvist. "They know our plans and they are supporting them," he explained.

So what is the quality of the somewhat reluctant asset Incentive is now setting as the group's keystone?

Founded in the mid-1960s, Gambro has concentrated on blood treatment processes. Its main business has been the production of kidney dialysis equipment. It has an 18 per cent share of a world market which is growing by about 10 per cent a year. It also produces machinery for blood treatment during cardiovascular surgery and equipment which breaks down blood into its different components for transfusion in applications such as cancer treatment.

But in recent years Gambro has made a notable strategic turn by adding healthcare services to its manufacturing operations. The chief operation in this area is the REN chain of dialysis clinics in the US, which Gambro took full control of last year, making it the fourth-largest operator in the field. It also now owns clinics in western and central Europe.

Gambro has doubled its annual turnover in the past five years to about SKr10bn ($1.53bn) through a mixture of organic growth and acquisitions. In the first nine months of last year, pre-tax profits reached SKr946m, a 13 per cent rise over the same period in 1994 and producing a 20.5 per cent return on capital employed. Incentive's bid values the group at more than SKr18bn, equivalent to 1.7 times prospective sales and 23 times prospective net earnings.

Mr Lindqvist says he intends to double sales again in the next five years partly through anticipated organic growth of 10 per cent a year, but also through further acquisitions in healthcare services and in cardiovascular equipment.

The move into services is something of a pioneering step by Gambro. Its main competitors in dialysis, Baxter of the US and the German group Fresenius, have not to date gone as far down that route. But the move is not without its critics.

"I'm a bit apprehensive," says one London-based analyst, who asked not to be named. "They have moved in effect into buying up their own customers, which leads to a lot of internal sales and risks upsetting other customers. It hasn't worked in other industries, so why should it work for a healthcare company?"

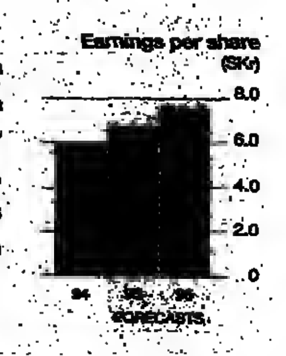
Mr Lindqvist rejects the scepticism. Vertical integration makes sense, he says, because of the total value of annual purchases for the 700,000 dialysis patients worldwide of SKr140bn, only SKr40bn is in equipment. "We were only in the SKr40bn segment, but we had the network of contacts throughout the dialysis area. So we started to look at the whole value chain."

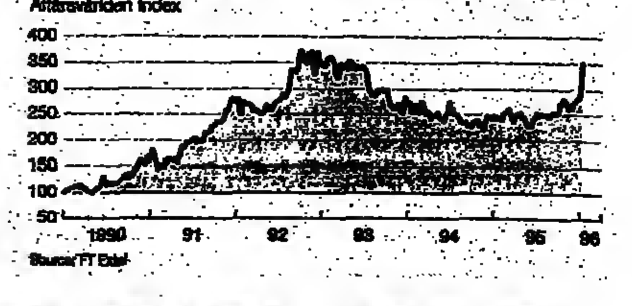
Gambro argues that long-term it can get higher margins in the service sector than it can in equipment. To date the operating margin in its clinics operations falls short of the 17 to 18 per cent industry benchmark, but Mr Lindqvist says that has much to do with acquisition costs. "We are convinced the numbers will be there, there is no question about that," he insists.

Over time, the continued dominance of the dialysis equipment division, which still accounts for 65 per cent of turnover, will be balanced by faster expansion of other divisions.

COMPANY PROFILE:
GAMBRO

Market capitalisation	$2.7bn
Main listing	Stockholm
Historic P/E	25.7
Gross yield	1.09%
Earnings per share	1994: 6.06
Current share price	SKr 132.0





Gambro hopes the Incentive bid will go through quickly so that the transition period is as smooth as possible. Although some institutional shareholders are resisting Incentive's intention to pay more to holders of shares with weighted voting rights than to ordinary shareholders, the bid for the minority not yet held by Incentive has not to date met any concerted opposition.

Clearly, Mr Lindqvist regrets the loss of independence. But assuming there are no clashes over strategy, he may come to feel compensated by the record of long-term commitment the Wallenberg sphere has to investments it identifies as core assets.

Hugh Carnegy

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Warner Bros loses its formerly loyal Prince

By Christopher Parkes in Los Angeles

Prince, the pocket-sized pop star widely known for having changed his name to an unpronounceable squiggle, yesterday blamed corporate turmoil for his decision to break his links with Warner Bros Records.

A statement from the apparently ageless singer-guitarist, who has been with the Time Warner group's music subsidiary for almost 20 years, said the "unstable and ever-changing management structure had made it impossible for the company to effectively market and promote its flagship artists".

Numbering "The Artist Formerly Known as Prince" as a member of this flotilla, he said he was prepared to deliver three more albums under the Prince tag and thus fulfil his contract. The inspiringly-titled "Prince: The Vault" in three volumes, has already been recorded, according to his spokesman. After its release he would relaunch with a new recording: "Emancipation".

Although Warner Bros could not be contacted for comment, the pop-star's spokesman's claim of a dispute dating back 18 months indicated there was more to the planned defection than the sight of blood on the record company's boardroom carpet.

This was spilled in copious quantities only in the latter part of last year with, first, the sacking of Mr Doug Morris, head of Warner's US record business, followed by the ousting of Mr Michael Fuchs, chief of Warner Music and the Home Box Office television business.

Music industry observers said Prince's anxieties were common among established acts which saw their popularity being eroded by advancing age and upcoming generations of new groups.

Although Prince's latest record, "The Gold Experience", has been nominated for a Grammy award, and he is enjoying a successful tour in Japan at present, he has reportedly lost the ability to fill the "big barn" auditoriums in the western world by which music companies measure their stars' pulling power.

Despite his fading charms, the artist is not expected to have great difficulty finding a new recording company. Mr George Michael, the temperamental British rock star, last year split acrimoniously with Sony and immediately fell into the arms of the youngest company in the business: Mr Steven Spielberg's DreamWorks.

Shandwick in $40m loan note placement in US

Shandwick, the UK public relations company, yesterday said it had completed its capital restructuring with the refinancing of 50 per cent of its borrowings through a $40m private placement of unsecured loan notes in the US and new unsecured bank facilities of £27m ($41.7m), writes Antonia Sharpe in London.

The loan notes, which pay a fixed rate of 7.76 per cent, have a maturity of eight years. Of the £27m bank facilities, provided by Lloyds, Midland and Fuji, £12m is on a five-year term, £5m is a two-year credit line and £10m is on overdraft.

Shandwick will pay an interest margin of 1.75 per cent more than London interbank or base rates on these facilities, down from 1.875 per cent previously, with further reductions to 1.5 per cent and 1.25 per cent based on interest cover.

Mergers drive pays off for JP Morgan

By Richard Waters in New York

J.P. Morgan's move into the investment banking business continued on track in the final months of last year, as the New York-based bank reported a further jump in income from securities underwriting and merger advisory work.

Together with strong earnings from the world's buoyant bond markets, the advance enabled the bank to report better than expected results for the last quarter of 1995. Its after-tax profits for the period climbed to $368m, or $1.80 a share, from a depressed $193m, or 96 cents, a year before.

The news helped lift Morgan's shares by $3 in morning trading in New York, to $76⅝.

The US bank strengthened its foothold in the mergers and acquisitions business, particularly outside the US, with a string of important takeovers in the second half of last year. These included advising TSB on its sale to Lloyds Bank and Hoechst on its acquisitions of Marion Merrell Dow.

In the US, meanwhile, the bank pulled off one of the more improbable acquisitions of the year – the purchase by Westinghouse Electric, the struggling industrial conglomerate, of CBS, the weakest of the three big television network companies.

Corporate finance revenues in the final quarter were $158m, up 30 per cent on a year before. For the year as a whole, income rose 35 per cent to $584m.

These increases, however, did not match those of Wall Street's more established investment banks last year. Morgan Stanley and Lehman Brothers each last week reported a jump of around 70 per cent in their underwriting and advisory income during the final three months of the year.

The difference reflects J.P. Morgan's slower start in the US equity markets, particularly where underwriting is concerned. Traditionally, the most profitable business for Wall Street, the booming primary equity market made 1995 a banner year for the small number of investment banks that have a lock on the area.

Profit margins from underwriting bond issues, on the other hand, have come under pressure as a handful of commercial banks have made inroads to the US debt securities markets.

The strong bond markets, meanwhile, pushed trading revenues up to $369m in the final quarter and nearly $1.4bn for the year as a whole, up 35 per cent from 1994 – though still far below the $2.1bn hit in the record year of 1993.

Full-year net income was nearly $1.3bn, or $6.42 a share, compared with $1.2bn, or $6.02, the year before. That represented a return on capital of 13.6 per cent – stronger than the 12.9 per cent of 1994, but well below 1993's 22.3 per cent.

Wu to boost rate of Cepa payout

By Simon Holberton in Hong Kong

Mr Gordon Wu plans to increase the dividend payout rate of his Consolidated Electric Power Asia subsidiary to about 80 per cent of after-tax profits in a move which is likely to cause disquiet among investors.

Mr Wu denied in an interview that there was anything untoward about the decision. "Everybody's getting it; the shareholders are fairly treated," he said.

However, a power industry analyst with a US securities firm said: "I hate the idea. It is robbing Peter to pay Paul. Investors buy Cepa because they want to see it grow, not to give the cash back."

The decision to increase the payout rate comes at a time when Hopewell Holdings, Mr Wu's flagship and a 63 per cent shareholder in Cepa, is raising cash to lower its gearing. Cepa paid out 24 per cent of its after-tax profits in dividends to ordinary shareholders in the year to 30 June 1995. This amounted to HK$141m (US$18.3m).

If the higher dividend payout rate were applied to the 1995 year then it would have paid out $HK471m in dividends, of which HK$296.7m would have accrued to Hopewell, against the HK$88.8m actually paid.

Mr Wu also indicated that Cepa planned to increase the amount of "quasi-equity" it raised from external sources to fund Asian power station development. Of the US$1.8bn raised to finance Tanjung Jati, an Indonesian facility, some US$424m of quasi-equity was raised. Mr Wu said quasi-equity was similar to debenture stock and ranked before equity in terms of repayment.

Grupo Carso plans to split stock into two groups

By Daniel Dombey in Mexico City

Grupo Carso, the Mexican holding company which has active control of the country's telecommunications group Teléfonos de México (Telmex) and shares in a range of industrial and retail concerns, plans to split its stock into two separate companies.

The proposal, which has yet to be approved by shareholders, would create a telecommunications and multimedia company with global aspirations.

What the group terms "traditional Carso" would include companies such as mining operation Frisco, retailer Sanborns and cigarette manufacturer Cigatam. It would aim to expand into Mexico's soon-to-be privatised railway sector and its liberalised electricity sector.

Grupo Carso, which has a market capitalisation of 48.5bn pesos ($6.4bn), posted sales of 12bn pesos in the nine months to end-September 1995, and net income of 2.2bn pesos. Current shareholders would be issued shares in each of the companies.

The split would allow the telecommunications and multimedia company to expand its stake in Telmex from 8.4 per cent to 12.8 per cent in the next three years, using outstanding calls and equity swaps.

The new company would seek financing to set up media operations and look for operations outside Mexico. Traditional Carso would be free to use cash flow from its companies to expand its presence in Mexican infrastructure. "It's going to be a very, very large company," said Mr Fernando Chico Pardo, a Carso board member.

The new company is likely to be valued as a growth telecommunications stock, while Grupo Carso's price has largely hinged on valuations of its industrial components.

"The new holding company will very closely track Telmex but in the early stages may track it at a discount," said Mr Stefan Herz, an analyst at Kleinwort Benson in London.

Powerful ambitions at Hopewell

HK group is upbeat about its future prospects, says Simon Holberton

Last year was Gordon Wu's *annus horribilis*. But Asia's leading infrastructure group, which consists of Hopewell Holdings and its listed subsidiary Consolidated Electric Power Asia (Cepa), has survived.

Mr Wu now hopes that after he and his flagship Hopewell have weathered last year's storm he will be able to navigate into slightly calmer waters this year.

To reduce debt, he plans to spin off the roads and transportation projects that Hopewell owns and is developing into a company to be called Consolidated Real Estate and Transport Asia. This amounts to a sort of "son of Cepa" for Mr Wu's highways, light rail and property development interests. He says he has already received commitments for HK$5bn (US$647m) from foreign, mostly Japanese, investors in a projected initial capital raising of HK$9bn.

If 1995 was a tough year for Hopewell, it did not finish well for Cepa either. Two of the company's most important projects – the 700MW coal fired power station at Pagbilao in the Philippines, and the 1,960MW Shajiao C coal fired station in Guangdong – ran into difficulties.

In both cases the problems have threatened bonuses that Cepa would have earned for completing projects early. In the process, Mr Wu's reputation as a savvy independent power producer has been dented.

In an interview, Mr Wo said the problem at Shajiao C had been rectified and the power station had been fully operational since the beginning of this year. But, the six to eight month delay – caused first by vibration in the station's GEC-Alsthom turbines and then in the same company's generator – has cost Cepa US$100m in lost revenue. Mr Wu said he would press for some of the lost bonus to be paid back.

The problem at Pagbilao – which was also completed early – is of a different type. Cepa's contract specified that the Philippines' National Power Corporation (NPC) would pay for Pagbilao's electricity as soon as it was ready to go into production.

Production was available in October, but the NPC's transmission lines were then 12km away. This sparked a dispute but Mr Wu says a solution is in sight. "The dispute can be settled in one of two ways," he says. "Either they can pay more over the life of the contract, or they can extend the life of the contract. They'd like an extension and we want to settle it amicably, we'd like to preserve good will."

This will mean a loss of early completion income, which Ms Pamela Bonnie, power industry analyst at Salomon Brothers, the US investment bank, estimates at US$65m.

Mr Wn says he expects Cepa's 25-year contract to operate Pagbilao to be extended by between two and five years to make up for lost income. He said transmission lines which would be at the plant by the end of March and Pagbilao, and would start operating soon afterwards, would generate revenues of US$18m a year.

Power industry executives in Asia credit Mr Wu with single-handedly creating the independent power industry in the region. "Cepa has been the pre-eminent power development company in the region," says the head of a US power company in Hong Kong. "It is a wonderful accomplishment given that they weren't even in the power industry."

A European industry executive says he believes it is vital for the power industry in Asia that Mr Wu pulls through his present difficulties.

"The biggest problem is the banks," he says. "If they have confidence in someone or something then they will invest. They have that confidence in Gordon Wu. It is critical for the future that banks do not lose confidence in him. If they did, money would dry up overnight for independent power in the region."

Mr Wn betrays no sign of concern about the future. He is optimistic about prospects in tha indian snb-continent, where it appears that a power station in Keti Bendar will be the first project to reach fruition.

"Pakistan is bankable," he says. "The cost is less than Tanjun Jati [his US$1.8bn Indonesian power station] because we do not have to pay hefty import duties and value-added tax on equipment. Pakistan is friendly to foreign investors – we have a 30-year tax holiday – and we will probably do it for US$1.5bn."

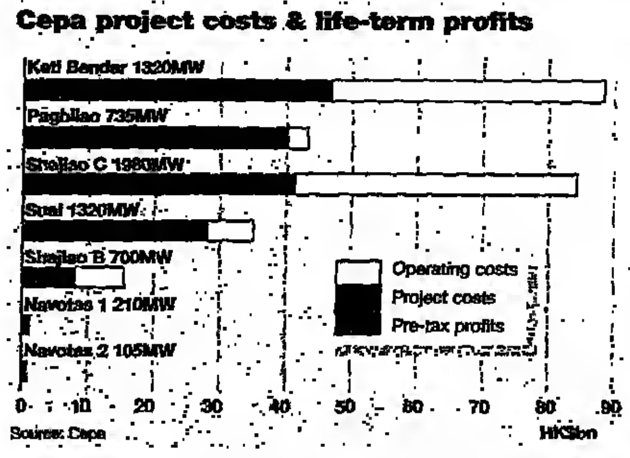
He is similarly upbeat about India and says he is looking at projects in Bangladesh. This reflects his close association with the International Finance Corporation, the commercial arm of the World Bank, which encouraged him to look at power projects in Asia when China closed its door to foreign participation in its power industry.

Mr Wu did the last foreign funded power station deal in China – Shajiao C – and some industry observers suggest that part of China's reluctance since to sanction foreign ownership is because Mr Wu bragged about the returns he earned.

"I think this is a case where the success of some foreign investors gave some people the wrong ideas," he says. "They (China) think [foreign investment] is a zero sum game. They think they can do it themselves. What they don't realise is if they get it wrong they bear 100 per cent of the losses."

Mr Wu is no stranger to controversy. His decision to raise Cepa's dividend payout is likely to be regarded by analysts as his way of putting Cepa's cash into Hopewell. Mr Wo says he thinks a dividend payout of about 80 per cent of post-tax profits is reasonable and will not constrain the company from pursuing future developments.

Cepa project costs & life-term profits



Source: Cepa

Venezuelan group faces restructuring

Corimon, tha industrial and paints group and the only Venezuelan company listed on the New York Stock Exchange, is facing "cash flow problems" and a restructuring that "contemplates, among other things, the sale of foreign affiliates and the strengthening of the companies in Venezuela", Reuter reports from Caracas.

According to a release from the Caracas stock exchange, the company said: "Due to cash-flow problems, tha company is currently engaged in a process of renegotiating with credit banks and some important holders of commercial papers, in order to reach an agreement to restructure its liabilities."

Trading of Corimon shares was suspended late on Wednesday after prices fell sharply. The shares resumed trading Thursday and were unchanged at Bs17.50 in early trade.

The sharp drop in Corimon's share price on Wednesday followed reports from Argentina that Corimon was considering the sale of its controlling interest in paints company Colorin after posting disappointing results.

It was also hit by the announcement that its majority-owned US subsidiary Standard Brands Paint had filed for Chapter 11 protection under US bankruptcy laws.

Corimon reported a net profit of Bs964m ($2.1m) in the six months to September 30, compared with a Bs2.98bn loss a year earlier.

Tha improved results were attributed partly to increased sales through its Latin American subsidiaries.

Corimon, which concentrates on paint, foods and packaging, has sold several non-core operations in the last few years, including the recent sale of drinks manufacturer Frica to Italy's Parmalat.

Get-together foiled by cultural differences

Ideas of a Chicago exchange merger have fallen at the first fence reports Laurie Morse

Visions of a mega-merger between the Chicago Board of Trade and the Chicago Mercantile Exchange this week faded almost as quickly as the idea was floated as long-standing rivalries, which includa personal jealousies between the two exchange's sitting chairman, got in the way of discussion.

Although a Chicago exchange merger was backed by a high-level task force at the Chicago Board of Trade as a means of saving more than $32m a year in a time of declining volumes, Mr Patrick Arbor, CBoT chairman, admitted that a merger, or any serious co-operative venture, would be very difficult to attain.

Mr John "Jack" Sandner, long-time CME chairman, who is seeking re-election and can ill-afford the impression he has been dealing behind the backs of his members, said that while he was always willing to entertain cost-cutting measures, ba did not think a merger was possible. "Tha differant cultures and histories of the two markets, by themselves, would make any proposed merger a daunting task, particularly in the areas of seat prices and a governance structure," he said.

Privately, CME executives said that CME members would not be receptive to a plan that would involve assuming $181m in debt – a reference to tha mortgage the CBoT holds to finance new trading floor construction. The CME expanded its trading facility three years ago without assuming any debt.

"There hasn't been anything you could call a formal discussion, and there aren't any plans for discussion," said Mr William Crawford of the CME. "Jack and Pat may have said something casually to each other at a social event, but nothing that could be taken seriously."

In fact, both exchanges are facing budget crunches if tha current economic environment of low inflation and low interest rate volatility exists. Both markets derive more than half their operating income from debt futures and options trading, but volume in these pits faded as last year ended. The CME saw a 37 per cent drop in turnover in its interest rate futures and options sector in December.

Tha prospect of a balanced US budget, and perhaps a budget surplus during the next decade, has prompted both exchanges to seek other sources of income, and means of cutting costs.

Both are seeking to exploit derivatives growth in emerging markets, particularly Latin America. Rather than co-operate in these ventures, they are pursuing different strategies, with the CBoT seeking to encourage the development of domestic futures markets in countries like Mexico and Argentina, while the CME will attempt to offer Latin American financial derivatives on its Chicago trading floor. Member firms have become impatient at having to make dual investments in such ventures.

Mr Alexander Lamb, general manager for the Chicago office of Fimat, a global futures firm, said: "From our point of view operationally it would make a lot of sense to have one exchange in Chicago. Particularly for clearing, it would be better to have similar rules, similar financial systems."

As for the dividing rivalries, Mr Lamb said: "The individual exchanges have shown they hava a lot of strength. Its just that down the road, as the business gets more difficult, they could benefit from a combined strength."

Seat prices at Chicago's two big futures exchanges have begun to recover, after tumbling in the fourth quarter of last year as volumes waned and brokerage firms consolidated. Prices on CBoT ranged from a high of $710,000 to $525,000 in 1995, and on CME from $822,500 to $506,000.

NEWS DIGEST

KLM takes 26% of Kenya Airways

KLM, the Dutch national carrier, is to pay $26m for a 26 per cent stake in Kenya Airways. The deal, first signalled last month when negotiations started, is the flagship of the East African government's three-year privatisation and reform programme.

The agreement marks the start of a partnership which will improve KLM's access to African destinations while allowing Kenya Airways to extend its range to the US, Asia and Pacific.

Yesterday's signing is the culmination of a three-year restructuring drive by Mr Brian Davies, Kenya Airways' managing director. The deal also paves the way for the African airline's flotation on the Nairobi Stock Exchange, expected to be the largest share issue in the country's history.

Mr Musalia Mudavadi, the finance minister, admitted yesterday that until the carrier's restructuring started in 1992, it was "a typical example of a parastatal basket case". Within a year losses had been reduced to $30m. Last year, the airline reported a $17m profit. Under the agreement, KLM will spend an additional $3m on "technical assistance", bringing Kenya Airways' service standards up to levels set by KLM and its existing partners.

Michela Wrong, Nairobi and Joel Kibazo, London

Strong finish buoys Fannie Mae

Fannie Mae, the largest provider of mortgage funds in the US, reported slightly higher net income for 1995, and forecast "excellent earnings gains in 1996". Net income for the fourth quarter and the year were affected by a $350m special contribution to the Fannie Mae Foundation. In the final quarter, net income was $408m, or $1.48 a share, after the charge (and $636m, or $2.31, before). That compares with the previous fourth quarter when net income was $553m or $2.02.

For the year, net income was $2.14bn, up from $2.13bn in 1994. Before the charge, 1995 net income was $2.37bn. Earnings per share, fully diluted, were $7.78, or $8.61, before the contribution, compared with $7.77.

Mr James Johnson, chairman and chief executive, said that after a slow start to the year there had been a rebound in volumes in the second half. That, and a "favourable oear-term outlook for mortgage lending" meant the company was well-placed for the current year.

Moggie Urry, New York

Acquisitions help boost Laidlaw

Laidlaw, the North American transport and waste management group, said acquisitions last year helped raise first-quarter revenues 42 per cent, and earnings by 31 per cent. For the three months ended November 30, Laidlaw posted net profit of US$50.2m, or 18 cents a share, np from $38.2m, or 14 cents, a year earlier on revenues of $809m against $570m.

In calendar 1995, Laidlaw added to its US hazardous waste business and also bought several school bus and ambulance firms. But it closed its Italian landfill business, reducing solid waste management revenues. Laidlaw raised the quarterly dividend on its A and B shares from 4 cents a share to 5 cents.

■ Gulf Canada, which is recovering swiftly with new leadership, will begin paying dividend arrears on its senior preference shares series 1 and 2 in March. The former Reichmann-controlled company raised C$300m in new equity last year.

Robert Gibbens, Montreal

Foster's winemaker offer backed

Directors of Mildara Blass, the Australian winemaker facing a A$482m (US$359.9m) takeover offer from Foster's Brewing Group, yesterday recommended acceptance of the deal. However, they advised shareholders to "consider timing of their acceptance to allow for any more favourable offer to emerge".

A second bidder has so far not come forward and many analysts think the Foster's deal is now *a fait accompli*. Mildara shares were unchanged at A$7.60 yesterday, slightly below the A$7.75 Foster's is offering.

Nikki Tait, Sydney

Daiichi to take stake in Brashs

Daiichi, one of Japan'a largest consumer electronics retailers, is taking a 49 per cent stake in Brashs, the Australian electronics chain, for around A$11m (US$8.2m). Once the sale, subject to approval under Australia's foreign investment rules, is completed, Brashs' owners plan a rights issue.

In 1994, financial problems at Brashs led to the appointment of administrators. However, Singapore-based Hotel Properties, whose interests include tha Asian Hard Rock Cafe franchises, acquired the group. If the Japanese deal goes ahead, Hotel Properties would continue to hold a 45.9 per cent interest in the Australian retailer, while Rizona, a private Hong Kong-based group headed by Mr B. S. Ong, Hotel Properties's managing director, would own the remainder.

Nikki Tait, Sydney

Acquisitions planned in personal finance with flotation in 1997

Woolwich to become a bank

By Alison Smith, Investment Correspondent

Woolwich Building Society, the UK's third largest, plans to become a bank and to use its new status as a public limited company to make acquisitions.

The flotation, due to take place in late 1997, should mean the distribution of free shares to up to 3.5m qualifying savers and borrowers.

If it followed the pattern of share distribution schemes adopted in similar deals, it would mean a basic bonus worth a few hundred pounds to all qualifying members. The rest would be shared among longer-standing investors – probably those with accounts open at December 31 1994 – according to the balances in their accounts.

Woolwich is the latest in a string of building societies which have concluded over the past couple of years that remaining as mutual organisations, owned by their savers and borrowers, is too constricting given the increasing competition and consolidation in retail financial services.

Halifax, the UK's largest building society, plans to become a bank within the next year or so, while the purchase by Abbey National of National & Provincial, the seventh largest society, is due to take effect in the summer.

Like Halifax, Woolwich emphasised that it did not intend to become like the high street clearing banks, but to maintain its focus on personal financial services.

Alliance & Leicester, the fourth largest society, has not yet announced that it will float but is widely expected to do so within the next month.

With an estimated market capitalisation of £2.5bn to £3bn ($4.6bn) at today's prices, Woolwich would be significantly smaller as a plc than Abbey National or Halifax.

Once floated, it will be protected from hostile takeover for a five-year period, but could be vulnerable to a predator intervening in its plans between now and when the deal is put to its members for approval, in spring next year.

Mr Peter Robinson, Woolwich chief executive, said that the society would look at acquisitions to increase its presence in the life assurance, general insurance and unit trust markets. He added that purchases might not need to wait until after flotation.

"We have more than enough capital to pursue acquisitions up to conversion," he said.

Forte defends 20% dividend promises

Forte yesterday spelt out how it could achieve a 20 per cent dividend increase for each of the next three years, and insisted that its proposed £800m share buy-back plan would enhance earnings.

It rejected Granada's doubts on the sustainability of the dividend increase.

Forte said that savings of £24m would take effect as soon as its roadside restaurants were sold to Whitbread. To cover the promised dividend twice, the new hotels company would need to raise pro-forma profits for 1996-97 from £200m to £248m.

This was clearly achievable, Forte argued, given a 9 per cent rise in annual sales and a conversion rate for new sales into profits of 55 per cent. These rates of progress were in line with recent performance.

The argument between the two sides over the £800m share buy-back plan is a key to the debate over the valuation of Forte. It should be earnings enhancing in order to proceed, yet several analysts believe it will at best be neutral.

At the simplest level, the cost of repurchasing 201m shares would be £750m after tax recovery following the disposal to Whitbread. Buying the shares at the minimum planned level of 330p would cost 373p after tax.

At current interest rates of 7 per cent and with UK tax at 33 per cent, the cost of funding would be 4.7 per cent. This would reduce earnings by 17.5p for each share repurchased – anything above that would be earnings enhancing.

This hurdle does not look too difficult to clear. Forecasts for 1996-97 profits are around £245m, giving earnings of about 20p.

However, the argument is complicated by Forte's effective tax rate, which is only 23 per cent after allowances for capital expenditure. The lower the tax rate, the less likely the buy-back is to be earnings enhancing. Interest costs are tax deductible, therefore the higher the rate the lower the effective financing cost.

Further, Forte is paying interest of 8 per cent or more at the moment.

Signet disposals could encourage Ratner comeback

By Neil Buckley

The prospect of a comeback by Mr Gerald Ratner to the jewellery business that once bore his name emerged yesterday as Signet, the UK's biggest jeweller, said it was inviting offers for its UK jewellery chains.

Ratners, renamed Signet in 1993, came close to collapse after over-expansion in the late 1980s, and falling sales exacerbated by Mr Ratner's infamous comment in 1991 that one of his products was "crap".

It has staged a partial recovery under new management, but still has bank borrowings of £350m, and has been under pressure for a break-up or financial reconstruction from rebel preference shareholders owed £100m in unpaid dividends.

Mr James McAdam, Signet's chairman, said yesterday good Christmas sales figures – with group like-for-like sales up 6 per cent in the eight weeks to Christmas Eve - had persuaded Signet it could realise value by selling its UK chains, Ernest Jones and H Samuel, which account for 40 per cent of group turnover. That would allow it to reduce borrowings and interest charges and concentrate on developing its US business, Sterling, accounting for 60 per cent of turnover.

However, Signet would only sell "at the right price" and with shareholders' approval.

Although Mr Ratner was not available for comment yesterday, he is known to be talking to potential backers, including jewellery suppliers and venture capitalists, about putting together a bid for H Samuel, the more mass-market of the two chains.

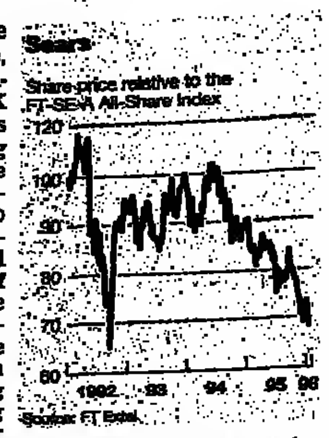
Analysts were sceptical about whether Mr Ratner would be able to assemble backing. But there are several other potential bidders.

Mr Jurek Piasecki, chairman of Goldsmiths, the upmarket jeweller, is understood to have venture capital backing for bids of about £65m-£70m for Ernest Jones, or £250m for both chains. He confirmed yesterday his advisers were contacting Signet.

Argos, the cash-rich catalogue retailer which has about 10 per cent of the UK jewellery market, may also be interested, although a bid for both chains could run into monopoly problems. Analysts believe a bidding battle could push the price for both chains to about £300m - or slightly more if they were sold separately.

LEX COMMENT

Sears



Nearly four years after he took over as chief executive, Mr Liam Strong's re-organisation of Sears, the UK retailing conglomerate, is still in progress. Having taken the spluttering engine apart, he is having difficulty getting all the parts to fit together again. The decision to sell the Saxone and Curtess shoe stores, two of the bits left lying on the floor, looks like a last-ditch attempt to bring the troubled shoes division under control. Mr Strong argues that by putting some of these stores under Sears' newer Shoe Express and Shoe City brands, he has transformed the business cheaply – a view that carries some weight.

However the whole exercise could surely have been carried out more quickly. Even now, any improvement is unlikely to be felt until the second half of 1996. Further cost-cutting, by outsourcing logistics, also smacks of growing desperation; again, the benefits will take time to come through.

Management credibility has taken a hit as a result of the latest dose of bad news in yesterday's trading statement. The resilience of the shares in the face of another round of profit downgrades suggests that the market is still banking on a rebound.

However even after these changes, there is a danger that Sears' portfolio of businesses will continue to stretch management talent too thin. If the hoped-for recovery does not materialise over the next year, time is likely to run out for the current management.

Radical reshaping aimed at closing valuation gap

Dieter Bock believes Lonrho's assets will be worth more if divided, **David Wighton** reports

For the first two years after Mr Dieter Bock joined the board of Lonrho at the end of 1993, it was his battle with the conglomerate's architect, Mr Tiny Rowland, that grabbed the headlines.

But following Mr Rowland's ousting last year, Mr Bock has been able to turn his attention to reshaping the group. The first important move came last June when Lonrho announced the proposed merger of its platinum interests with those of South Africa's Gencor.

That paved the way for yesterday's more radical plan to demerge all Lonrho's mining assets into a separate company. And Mr Bock made clear that this was just a "first step" in his efforts to realise the value tied up in the rambling conglomerate.

Mr Bock's aim is the same as the string of companies which have joined the demerger bandwagon in the past few years. He believes that the stock market will value Lonrho's assets more highly if they are divided into separate, more focused companies.

For Lonrho, the supposed undervaluation of the current group is more obvious than most. Most analysts estimate the value of Lonrho's assets at more than 240p per share. Even after the recent strong run, the shares, up 5½p to 192¼p yesterday, still stand on a discount of about 20 per cent. Mr Bock, who has an 18.6 per cent stake, is determined to close the gap further.

The asset value of the mining interests is fairly easy to determine, since most consist of stakes in other quoted companies. The largest are Lonrho's 41 per cent stake in Ashanti Goldfields of Ghana, worth about £460m, and the platinum interests.

Under the terms of the Gencor merger, Lonrho will receive 32 per cent of a new company formed by the injection of its interests into Gencor's quoted Impala. Based on Impala's current share price, Lonrho's stake would be worth around £400m. It also has a majority stake in Duiker, a South African coal mining group, valued at around £170m and half a dozen gold mines in Zimbabwe. These saw profits slip to £5m (£9m) last year because production, which requires large quantities of water, was affected by drought. But analysts believe the mines are worth significantly more than their book value of just £24m.

The mining company will also include a number of promising development projects in the former Soviet Union. Analysts estimate that these should push the value of the mining companies to between £1.1bn and £1.2bn.

The platinum interests currently carry about £60m of expensive South African debt – which led to interest charges of £20m last year – but these will be absorbed into the new joint venture and will leave the mining company's balance sheet. It is thought that relatively little of Lonrho's remaining £470m of debt would be shifted into the mining company, leaving its asset value at perhaps £1.1bn.

Less clear is how the market will treat the new company. If it is viewed as a mining finance house – the equivalent of an investment trust holding shares in operating mining companies – its shares would be expected to trade at a discount to net assets. But Lonrho says that it has management control of all the companies and insists the shares should trade at a premium.

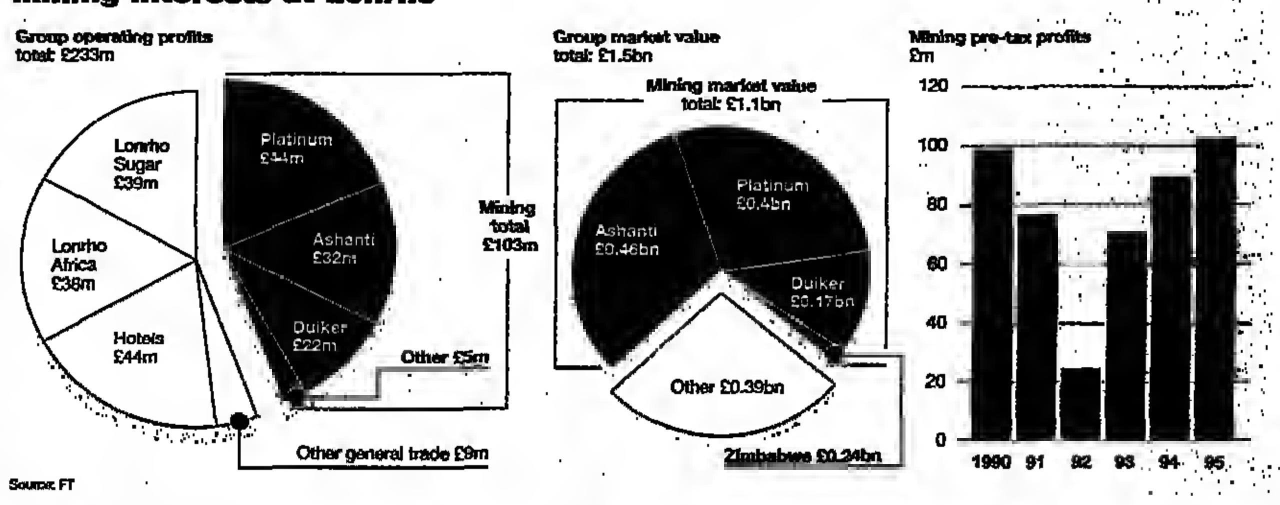
In the period under review, the mining interests, excluding exceptional items and minorities, increased post-tax profits to £62m (£57m) on the back of increased production and improved platinum and palladium prices. These were partly offset by lower rhodium prices and higher operating costs at Ashanti and in Zimbabwe. Profits at Duiker rose £9m to a record £22m.

Elsewhere in the group, Lonrho's hotels turned in profits up 57 per cent to £44m, despite a downturn in tha African hotels. Mr Bock said Lonrho was in no hurry to sell, float or demerge the hotels because of their strongly improving profits, though some analysts suggested that the Libyan minority holding in the Metropole chain may have complicated Lonrho's plans.

The total non-mining companies made £121m last year and analysts estimate that, even if they bore all the group debt, interest cover next year would be close to three times. The group interest bill rose to £66m (£57m) last year.

Pre-tax profits rose to £161m (£112m) after an exceptional credit of £10m (£4m). This included a provision of £11m against Lonrho's move out of its Cheapside House headquarters in the City and a £17m loss on the sale of the Brentfords textile retail business, offset by a £34m release of provisions against the investment in Hondo Oil & Gas.

Mining interests at Lonrho



Source: FT

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
APTA	6 mths to Oct 31	5.74	(1.05)	0.817	(0.121)	0.7	(0.4)	0.4	Feb 23	0.4	-	0.9
Carpetright	6 mths to Oct 28	83.9	(64.7)	10.1	(8.05)	8.7	(6.8)	5.5	Feb 23	3.9	-	10.5
Cassidy Brothers Φ	6 mths to Oct 31	4.36	(4.36)	0.503	(0.52)	6.4	(6.52)	0.75	Apr 8	0.75	-	3
Coral Products	6 mths to Oct 31	4.56	(2.66)	0.773	(0.579)	3.38†	(3.25)	0.75	Feb 24	-	-	-
Denmans Elect §	Yr to Sept 30	50.6	(46.7)	3.02	(2.77)	44.78	(41)	8	Feb 23	4.7	10.2	6.8
GGT	8 mths to Oct 31	156	(143.8)	2.91♠	(2.66)	7.47	(7.16)	2.1	Apr 10	2	-	5.3
Goode Durrant	6 mths to Oct 31	55	(42.3)	13.4	(6♠)	16.3	(6.4)	2.8	Feb 21	2.5	-	7.2
Jones Stroud	6 mths to Sept 30	40.5	(35)	3.73	(2.83)	14.32	(11.08)	4	Apr 8	3.5	-	10
Jurys Hotel ♣	6 mths to Oct 31	25	(21.4)	5.68	(4.14)	12†	(11.2)	2.3	Mar 8	2.1	-	5.75
Lonrho	Yr to Sept 30	2,111	(1,964)	161♥	(112)	10.2	(6.6)	3‡	Apr 9	2.75	5.25	4.75
Lowe (Robert H)	Yr to Oct 31	15.53	(12.73)	1.49♥	(0.78)	1.67	(1.32)	0.2	May 1	nil	0.2	nil
Matthew Clark	6 mths to Oct 31	173.8	(125.4)	15.4	(7.19)	22.6†	(19)	9	Apr 10	8	-	21
Phoenix Timber	6 mths to Sept 30	10	(8.58)	0.166♥	(0.173♥)	0.47	(0.54)	nil	-	nil	-	nil
PSIT	6 mths to Sept 30 ★	11.5□	(10.2□)	7.75	(6.56)	4.47	(3.84)	2.25	Apr 1	2	-	5.375
RCO	Yr to Sept 29	49.2	(47.4)	2.89♠	(4.41)	18.03	(27.47)	11.05	Apr 3	11.05	18	18
Vardy (Reg)	8 mths to Oct 31	279.8	(154.6)	8.15	(5.03♥)	9	(7.5)	2.25	Apr 30	2	-	5.75

Investment Trusts	NAV (p)	Attributable Earnings (£m)	EPS (p)	Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
HTR Inc & Growth	-	-	-	1.5♦	Feb 13	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ♣Irish currency. †On increased capital. ‡Includes 1.25p foreign income dividend. ★Comparatives restated. □Net income. ΦAim stock. §USM stock. ♦Third interim; makes 4.5p to date.

DIGEST

Sears announces disposal plans

Sears, the UK's biggest specialist retailing chain, announced disposal plans for more than 1,000 retail stores and concessions in the UK and the Netherlands, after its poor performance last year and disappointing Christmas sales.

British Shoe, the footwear division which has already been extensively rationalised since Mr Liam Strong arrived as group chief executive in 1992, will bear the brunt of the disposals, after like-for-like sales fell 10.9 per cent in the six weeks to January 6, and 11.7 per cent over the second half.

The Saxone and Curtess chains, together with smaller footwear concessions in other retailers, will be closed or disposed of – totalling about 575 outlets. The outlets together employ about 2,800 people, but Mr Strong said wherever possible stores would be sold as ongoing businesses.

Sears is making a provision of £30m to cover costs, but said trading profits should improva by about £8m a year by 1997.

The 170-store Millets leisure wear chain, and 350-outlet Sears Retail Group (Holland) are also to be sold.

Sears is outsourcing information technology and accounting functions to Andersen Consulting, involving transfer of 900 staff, in a contract worth £344.5m over 10 years. It is also reorganising logistics and distribution into two large warehouses, serving its Freemans mail order and other retail businesses. Reorganisation costs will be about £35m, but annual savings of £20m to £25m are expected by 2000.

Neil Buckley

Best results for 4 years at GGT

GGT Group, the advertising and marketing services group formerly known as Gold Greenlees Trott, yesterday reported pre-tax profits up 10 per cent from £2.66m to £2.91m ($4.5m) in the six months to October 31. Mr Michael Greenlees, chairman and chief executive, said the results represented the best pre-tax profits performance in four years.

The US companies performed strongly, benefiting, in particular, from the recent CompuServe account win, said Mr Greenlees. In continental Europe, the group invested in a Paris-based agency merging it with its existing operation in the market. A small loss, in line with expections, was incurred in the first half.

Diane Summers

AIM float values IOC at £20m

Integrated Optical Components, which makes novel electronic devices to drive the information superhighway, plans to join the Alternative Investment Market through a placing likely to value it at about £20m ($31m). The flotation is likely to happen at the end of February, with Henry Cooke Lumsden acting as broker. New shares will be issued representing some 30 per cent of the enlarged company.

Alan Cane

SB set to simplify healthcare

SmithKline Beecham, the UK's second biggest pharmaceuticals company, is to merge its various service businesses into a single division.

The new division, called Healthcare Services, brings together four units.

They are diversified pharmaceuticals services, the drugs distributor bought last year for $2.3bn; clinical laboratories, which provides lab services but has been one of the worst performing divisions for some years; diversified prescription delivery, a mail order business; the recently-formed disease management group.

Dr Tadataka Yamada, chairman of the department of internal medicine at the University of Michigan Medical Centre, will become president of Healthcare Services.

Daniel Green

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COMMODITIES AND AGRICULTURE

US feed grain estimates expected to be cut further

By Laurie Morse in Chicago

Grain traders are expecting the US Department of Agriculture to reduce further its estimate of last season's US maize and soyabean production when it releases its final feedgrains crop estimate for 1995 next week. The crop report, initially scheduled for release yesterday, has been delayed until Tuesday morning because of the snowstorm that shut down Washington this week.

Although the revisions in final feed grain production estimates are expected to be small – reductions of about 10m bushels each for maize and soyabeans – analysts say that strong export and domestic feed demand could combine to whittle down wafer-thin ending stocks even further.

In its December crop estimate, the agency put 1995 US maize production at 7.374bn bushels, and end-of-year carry-over stocks at 617m. Soya production was estimated at 2.183bn bushels, with ending stocks at 215m bushels. Analysts are expecting maize production to drop to about 7.363bn bushels in Tuesday's report, and soya production to 2.176bn.

The US produces the largest maize and soyabean crops in the world.

Even if the USDA revises production figures upward unexpectedly, analysts say the demand picture will keep ending stock figures at historically low levels, and continue to support prices. "We're seeing a strong early-season export pace [for feedgrains] and domestic feed use is not diminishing," says Dean Witter grain market analyst Mr Gerry Gidel. "Even if there are higher production figures, the carryout won't increase".

Although maize and soyabean prices are near 15-year highs, US hog and cattle counts released last month show that livestock producers are not yet responding to higher grain prices by cutting herds – a rationing process grain traders say is necessary to balance this year's tight supply and demand situation.

"The US is producing record meat supplies," says Mr Chuck Levitt, senior livestock analyst for Alaron Research, a Chicago-based brokerage. "We won't begin to see herd liquidation unless the market continues to maintain feed costs where they're at, or at higher levels. Right now cattle and hog producers are just breaking even. It might take a rally in maize futures to $4 [a bushel] to trigger aggressive liquidation."

Pakistan faces dilemma over farm taxation

Aid donors want an end to agriculture's privileged treatment, writes Farhan Bokhari

Pakistan is under pressure from its international donors to tax the politically powerful landowners who remain exempted from income taxes. They are worried about a worsening resource crunch caused by increasing expenditure on servicing the national debt and maintaining a large defence force.

A US$600m loan agreement signed with the IMF in December may force the government to increase further collections from a two year old "wealth tax" imposed by former prime minister, Mr Moeen Qureshi, senior officials say. Under the terms of the loan, Pakistan has agreed to raise the value of each "produce index unit", or PIU, by 60 per cent, from Rs250 ($7.30) to Rs400, by the next annual budget, due to be announced in June, officials add.

Under Pakistan's revenue collection system, the value of agricultural lands is assessed on the basis of PIUs. Farm owners with land worth more than Rs1m are taxed under the wealth tax, which ranges from 0.5 per cent to 2.5 per cent of the value of the asset, depending upon the tax payers' entire land ownership.

Pakistani officials expect the new move to improve the government's embarrassingly low collections during the tax's first year of enforcement, from July 1994 to June 95. During those 12 months, only Rs2.5m was collected. That included a sum of Rs300,000 from prime minister Benazir Bhutto's home province of Sindh, which ranks second to the Punjab among Pakistan's four provinces in terms of its total agricultural production.

Mr V.A. Jafarey, the prime minister's adviser on finance, who negotiated the recent agreement with the IMF, refuses to confirm Pakistan's acceptance of the increase in the wealth tax, but says: "I cannot tell you what is in the agreement but international institutions for long have favoured taxation on the agriculture sector".

The move to tax landowners is generally favoured by businessmen, industrialists and urban-based intellectuals who say that such a move is essential to establish the principle of equity for all wealth-generating groups. Concerns also continue over the ways in which taxes are evaded by many businessmen who also own agricultural land. Many of them try to show their business income under the head of agricultural income to avoid paying taxes, senior officials say.

Mr Fasihuddin, a former chief economist of the government's national planning commission in Islamabad says: "The issue is not whether tax should apply on agriculture or industry, but that if someone is getting an income which is the same as someone else who is paying tax, then that person ought to be taxed".

Taxing the agricultural sector remains a very difficult issue, however.

> It is estimated that two-thirds of the members of the federal and provincial legislatures represent rich feudal landowners

According to some estimates, over two-thirds of the members of parliament in Islamabad and at the legislatures of the country's four provinces, represent rich feudal landowners, who in the past, have tried to block moves towards more taxation for the agricultural sector.

While the government wants to increase the wealth tax, there is little that it can do to impose an income tax on the farming sector. Under Pakistan's constitution of 1973, only the four provinces, where landowners have stronger influence than in Islamabad, are allowed to introduce such an income tax. And it is not clear if the provinces are ready to make such changes in the near future to help the central government to improve its revenues.

Moreover, many farm owners argue that the debate over agriculture taxation does not take account of the indirect local taxes that they already pay in the rural areas such as municipal collections on movements of goods from one district to another. Finally, they argue that in a country where the urban taxation system is notorious for its corruption, the rural areas will be exposed to abuse by tax officials, once they are brought under a similar system of collection.

In view of the counter arguments from landowners, and their previous resistance to new taxes, many experts remain sceptical of the government's ability to press ahead. Mr Akmal Hussain, a renowned Pakistani economist who has done part of his research on the relationship between feudal landowners and the state argues: "The present situation is one where landowners dominate both parties (the ruling party and the opposition) and the parliament. Its not possible to introduce such an income tax".

But senior officials in Islamabad say that the country's choices are becoming narrower in view of its needs for external borrowings and the fact that donors are insisting on expansion of the tax net. Mr Fasihuddin is convinced that the government's preparedness to take on the agricultural lobby while also putting to rest the fears of farm owners of abuse of a new system by tax officials "is basically a question of will".

"The principle of equity has to be appreciated and applied in a judicious manner," he says.

Mexican coffee hit by freeze

A freeze has hit Mexico's coffee-growing states of Puebla and Veracruz, according to an official of the the country's Confederation of Coffee Producers, reports Reuters from Mexico City.

"The reports from some growers of a freeze are true," said Mr Alfredo Moises Ceja, a member of the confederation's national executive committee. "It appears as if there have been two nights of freeze."

Mr Moises Ceja said producers were unable to provide an accurate estimate of the damage. Initial reports were that 20-30 per cent of coffee trees were damaged by the cold.

"We need to take the time to evaluate the damage. The effect, of course, is more pronounced during the next cycle [1996-1997] than the current one [1995-1996], but it will add to trouble we have had this year," he said.

Puebla and Veracruz are Mexico's second and third largest coffee-producing states.

Jesus Pina Gonzalez, a member of the Association of Puebla Coffee Producers, said his coffee farm registered temperatures below freezing early on Thursday as well as early on Wednesday. "Our situation is very serious," he said. "Many of the leaves on my trees are brown and there is clear evidence of damage."

Russia's days as aluminium exporter 'may be numbered'

By Kenneth Gooding, Mining Correspondent

The international competitiveness of Russia's aluminium smelters is worsening, analysts suggest, and this could have a big impact on their future exports.

"Russia's competitiveness has already worsened in the last few months. In the long run the entire Russian aluminium industry will become a last-gasp industry," suggests Mr Tony Bird of the Anthony Bird Associates consultancy. "The Russians are not likely to close it all down, in the way that the Japanese did to their aluminium industry 15 years ago. But they will probably find that rising costs force them out of world markets completely. Russia's days as an aluminium exporter could be numbered," he says in Bird's latest annual review of aluminium production costs.

The CRU International consultancy also warns that "the average Russian aluminium smelter is making no profit and the higher cost smelters must be losing money. These include the two smelters in the Urals – Volgograd and Vokhov". However, the four big smelters in Siberia (Bratsk, Krasnoyarsk, Irkutsk and Sayansk) remain "marginally profitable" because they still have power tariffs that give them some competitive advantage compared with western smelters.

In its latest CIS Metals Review, CRU estimates that the weighted average operating cost at all Russian smelters is US$1,580 a tonne. When taxes amounting to 17 per cent of turnover are added, "it becomes easier to believe that some smelters are losing up to $300 a tonne on exports. They survive by paying their power bills late or only in part, so the power suppliers are effectively financing loss-making smelters."

CRU says the main question for 1996 is whether the western trading organisations that have been supplying the Russian smelters with alumina (aluminium oxide), their essential raw material, and taking aluminium in return, will renew these tolling contracts. "The smelters would probably accept unprofitable contracts rather than reduce output drastically. But traders may find that there is no profit margin for them at current metal and transport prices."

If there is a sharp reduction in toll smelting, it is unlikely that the Russian smelters will be able to buy more alumina to sustain output, the CRU argues. And "even a modest reduction in smelter production would have an impact on the world market". CRU points out that any surge in the price would make tolling possible again, "so the problem could correct itself after an interval".

The Bird report suggests that operating costs in Russia in mid-1995 were US$1,495 a tonne. That compared with average costs in the west of $1,291. Bird shows Canada as the lowest-cost aluminium producer with production costs averaging $1,120 a tonne, followed by Australia, $1,154 and France, $1,232.

Aluminium Production Costs 1995: (four volumes) £4,600 from Bird Associates, 193, Richmond Road, Kingston upon Thames, Surrey KT2 5DD, UK.

CIS Metals Review: (quarterly) £650 a year from CRU, 40 Mount Pleasant, London WC1X 0AE, UK.

Revival planned for Sydney gold futures

By Nikki Tait in Sydney

The Sydney Futures Exchange yesterday announced plans to trade gold, silver and copper futures contracts within the next three months, through its new electronic trading link to the Comex division of the New York Mercantile Exchange.

The contracts will be traded simultaneously on the Nymex's Access and the SFE's Sycom computerised trading systems.

The SFE ran gold contracts in the 1970s and 1980s, but trading ground to halt in the late-1980s amid lacklustre prices. The reintroduction follows the recent upturn in gold prices, and also fits in with the SFE's plans to expand its range of commodity futures.

"Gold is a critical part of the SFE's plans to become a regional commodity trading centre. Australia has a long history in the mining, development and export of gold and a gold futures contract provides a natural price risk management mechanism to manage price moves," commented Mr Les Hosking, the SFE's chief executive.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1632-34	1631-32
Previous	1608.5-10.5	1615-6
High/low		1640/1622
AM Official	1627-29	1627-28
Kerb close		1634-35
Open int.	233,632	
Total daily turnover	67,846	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1420-30	1460-68
Previous	1420-25	1460-65
High/low		1470/1465
AM Official	1435-37	1470-75
Kerb close		1460-65
Open int.	5,185	
Total daily turnover	1,032	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	699-99.5	691-91.5
Previous	692.5-3.5	685-86
High/low	699/697	692/687
AM Official	698-99	689.5-90.0
Kerb close		691-692
Open int.	31,810	
Total daily turnover	8,072	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7670-80	7770-80
Previous	7595-605	7710-20
High/low	7630	7820/7710
AM Official	7625-30	7725-30
Kerb close		7810-15
Open int.	39,936	
Total daily turnover	8,974	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6350-60	6368-70
Previous	6335-45	6355-65
High/low	6375	6430/6360
AM Official	6360-65	6375-80
Kerb close		6350-70
Open int.	14,113	
Total daily turnover	7,141	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1020-21	1042-43
Previous	1016-17	1039-40
High/low	1020.5-20	1047/1040
AM Official	1020.5-21	1041.5-42.5
Kerb close		1046-7
Open int.	75,840	
Total daily turnover	40,706	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2620-25	2542-43
Previous	2636-43	2532-33
High/low	2620/2610	2554/2527
AM Official	2608-12	2540-42
Kerb close		2546-47
Open int.	168,769	
Total daily turnover	69,817	

■ LME AM Official £/$ rate: 1.5441
LME Closing £/$ rate: 1.5435

Spot: 1.5440 3 mths: 1.5407 6 mths: 1.5371 9 mths: 1.5334

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	118.90	-0.40	119.95	118.50	341	2,460
Feb	117.80	+0.50	118.50	117.40	94	1,272
Mar	115.35	+0.55	116.30	114.80	5,812	25,409
Apr	114.35	+0.65	114.85	114.35	7	780
May	113.25	+0.55	113.90	113.00	434	4,453
Jun	112.75	+0.55	113.20	112.90	20	634
Total					6,274	22,648

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	398.30-398.60		
Opening	392.30-392.60		
Morning fix	399.40	258.678	462.106
Afternoon fix	399.00	258.319	462.242
Day's High	399.60-399.90		
Day's Low	398.30-398.60		
Previous close	399.20-399.60		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.80	6 months	2.78
2 months	2.81	12 months	2.61
3 months	2.81		

Silver Fix	p/troy oz.	US cts equiv.
Spot	359.80	555.85
3 months	364.85	562.30
6 months	369.80	568.70
1 year	377.65	581.05

Gold Coins	$ price	£ equiv.
Krugerrand	393-396	254-256
Maple Leaf	410.25-412.80	
New Sovereign	91.5-94.5	59-61

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls; c/US galls.)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

FUTURES DATA

All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	893	-3	894	885	2,554	33,744
May	917	-3	917	910	1,749	15,759

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Wool

The second half of the Australian wool selling season opened at Geelong with the main market indicator at exactly the same level as at the close before Christmas, 612 cents. A gain of only one cent next day was followed by a rise of 10 cents to 623 cents at the closing sale this week. Wool in other markets also sold with little change in price, but the tendency was mostly dearer. Currency factors helped to add to the increase for sterling buyers. There was little mention of China, the major buyer of wool internationally, despite rumours of a New Year improvement related to tariff and credit changes. There are still hopes in the developed world that the pipeline might be cleared of stocks which held back business in the latter half of 1995. The official NZ market indicator closed the week at 527 cents, 8 cents higher than before Christmas.

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jan 11	Jan 10	month ago	year ago
2084.9	2089.3	2130.6	2254.5

■ CRB Futures (Base: 1967=100)

Jan 10	Jan 9	month ago	year ago
245.23	248.26	[illegible]	[illegible]

■ GSCI Spot (Base: 1970=100)

Jan 10	Jan 9	month ago	year ago
200.67	204.36	193.48	175.08

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	65.625	+0.200	65.800	65.250	8,668	28,935
Apr	66.225	+0.225	66.350	65.900	3,142	18,586

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jul	51.575	+0.475	51.675	51.200	264	3,015
Aug	50.650	+0.650	50.700	50.050	145	2,817
Oct	46.650	+0.650	46.700	46.050	49	1,313
Total					4,415	34,281

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	55.825	+1.225	55.725	54.400	592	4,306
Mar	56.150	+1.300	56.200	54.950	265	1,228
May	56.700	+0.950	56.850	56.200	73	810
Jul	57.700	+0.825	57.700	56.550	81	636
Aug	55.625	+0.875	55.625	54.750	17	188
Total					1,028	7,168

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Feb	Apr	Feb	Apr
1500	118	30	2	11
1600	41	74	23	39
1700	8	145	88	93
■ COPPER (Grade A) LME	**Feb**	**Apr**	**Feb**	**Apr**
2500	118	105	16	67
2600	54	59	51	119
2700	18	-	115	-
■ COFFEE LCE	**Mar**	**May**	**Mar**	**May**
1500	260	190	12	58
1550	217	159	19	75
1600	179	132	31	98
■ COCOA LCE	**Mar**	**May**	**Mar**	**May**
850	49	78	5	11
875	31	60	13	18
900	18	44	25	27
■ BRENT CRUDE IPE	**Feb**	**Mar**	**Feb**	**Mar**
1700	-	76	-	21
1750	-	41	-	39
1800	5	23	1	61

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb) +or-

Dubai	$16.75-6.82w	-0.505
Brent Blend (dated)	$18.05-8.07	-0.44
Brent Blend (Feb)	$17.95-7.97	-0.44
W.T.I.	$19.03-9.07	-0.575

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$173-175	-3
Gas Oil	$170-171	-5
Heavy Fuel Oil	$109-111	-2
Naphtha	$175-177	-1
Jet fuel	$200-201	-5
Diesel	$175-178	-5

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$398.45	-0.95
Silver (per troy oz)♣	551.5c	-5.0
Platinum (per troy oz.)	$417.50	+3.15
Palladium (per troy oz.)	$128.00	-0.50
Copper	125.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	16.02m	+0.27
Tin (New York)	301.5c	+3.0
Cattle (live weight)†	118.76p	-1.71*
Sheep (live weight)†♣	115.71p	+7.54*
Pigs (live weight)†	102.87p	-9.38*
Lon. day sugar (raw)	$321.0	+0.2
Lon. day sugar (wte)	$390.5	+1.0
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	151.0z	
Wheat (US Dark North)	Unq	
Rubber (Feb)♥	105.50p	-0.50
Rubber (Mar)♥	105.50p	-0.50
Rubber (KL RSS No1)	395.50m	-3.50
Coconut Oil (Phil)§	$690.0y	-5.0
Palm Oil (Malay.)§	$535.0y	
Copra (Phil)§	441u	
Soyabeans (US)	209.0	-9.0
Cotton Outlook'A' index	85.85	-0.65
Wooltops (64s Super)	444p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jan. u Dec/Jan.♥ w Feb. y Jan/Feb. ✣ Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♣ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,965 Set by VIXEN

ACROSS

1 Used to keep a painter off work (9)
6 Possibly Myrtle and mum create friction (5)
9 Dig – get back say brownish (5)
10 Having warm feelings about a certain character, and showing it (9)
11 Exceptionally pretty 6 down seen in the Highlands (10)
12 Stop holding the novice to be a fool! (4)
14 Push a number into a sailing man's transport (4-3)
15 Regarded William as a winger (7)
17 Obvious discomposure of the German sent back by the head (7)
19 Control before division! (7)
20 Cereal food for the new foal (4)
22 Rating as simpletons men in the street (10)
25 Bury viewed return essential for political prisoners (9)
26 Not taken into account for a bit (5)
27 Plant in a gro-bag or set in a large pot (5)
28 A fellow plaguing people in high places (9)

DOWN

1 Lacking dash (5)
2 Two-timing should be beneath an employee (9)
3 Dubiously accepts the French can produce glasses (10)
4 A cutter set in firm housing is right (7)
5 Sound military leaders may appear nuts! (7)
6 Bearing on wood that's just for decoration (4)
7 The beast making money (5)
8 A short light piece of music – a mere trifle (9)
13 Keeps wet as required in the pool (10)
14 Sensational article about running water (9)
16 The migrant worker's object in a rent arrangement (9)
18 States page in school is not to be trusted (7)
19 An individual flattening newsmen with little hesitation! (7)
21 A move up (5)
23 Coachwork is his speciality (5)
24 Revolutionary leader in charge, totally unrestrained (4)

Solution 8,964

INTERNATIONAL CAPITAL MARKETS

Europe continues to lead the way despite rebound in US

By Lisa Bransten in New York and Martin Brice and Richard Lapper in London

The US market yesterday recovered some of the ground it has lost this week but at the London close European markets had again outperformed, continuing the recent trend.

Amid continuing wrangles over the US budget, there are increasing expectations that German bonds will soon be trading at a premium to the US market for the first time for more than six months.

■ US Treasury prices rebounded from two days of sharp losses yesterday as some investors bought up bonds at newly lower prices. Traders said, however, that Treasuries were likely to keep within a tight range of their levels of late Tuesday because of uncertainty about fiscal policy, and because bullishness in the German bund market was causing some flows out of Treasuries.

Near midday, the benchmark 30-year Treasury was 7/16 higher at 109 15/32 to yield 6.155 per cent, while at the short end the two-year note was 3/32 stronger at 100 1/4, yielding 5.198 per cent.

The yield on the long bond had risen more than 2 basis points since the start of the year amid fears that President Bill Clinton and Republican Congressional leaders would not strike a deal to balance the federal budget.

GOVERNMENT BONDS

In addition to causing uncertainty about fiscal policy, the stalemate over the budget also led to a partial closure of the government that stopped the flow of official economic data.

Mr John Spinello, a government securities strategist at Merrill Lynch, said that the lack of economic data may have kept some investors out of the market, but he did not think it had a large overall effect on prices.

He said there had been some buying of Treasuries following Wednesday's sell-off, but that as trading opened in New York some investors were using the price increases as selling opportunities so bonds would probably remain range-bound through the day.

There was some talk on the market of investors selling Treasuries in order to purchase bunds. Mr Leslie Nanberg, chief fixed-income officer at Massachusetts Financial Services, the US mutual fund company, said that MFS shifted between 5 and 8 per cent of its Global Government Bond Fund into bunds late last year.

He said he might continue to shift assets from the US to Europe because the US market appeared vulnerable to more uncertainty over fiscal policy and because Treasury borrowing was once again approaching the debt ceiling provoking renewed fears about a possible default.

■ German government bonds continued their strong performance and the yield spread over Treasuries in the 10-year sector narrowed from 13 basis points to 9. Economic data showed that gross domestic product rose by a real 1.9 per cent from a year earlier, against 2.9 per cent growth in 1994, according to preliminary figures from the Federal Statistics Office.

Mr David Brown, chief European economist at Bear Stearns said: "Germany is now technically in recession but the market has only recently woken up to the grim reality." He said 10-year bund yields would soon be trading through Treasuries, perhaps by between 25 and 50 basis points.

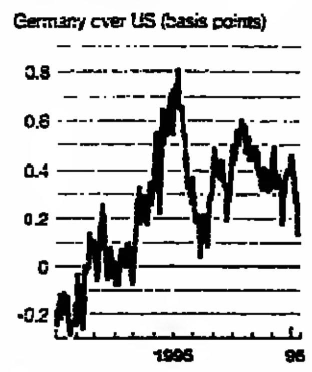
"It should come as no shock, but par will be an extremely strong resistance point. There is scope at the long end for bund outperformance because a balanced budget deal and more rate cuts are already well discounted in the US," said Mr Brown.

"Investors should start moving funds into Europe where the economic story is significantly clearer."

He thought the 10-year bund yield could fall to 5.25 per cent within six months from yesterday's closing level of 5.94 per cent.

Yield spread

Germany over US (basis points)



Source: FT Extel

Mr John Hall, head of European economic research at SBC Warburg, expects a negative spread over the next month or so, with the US 10-year yield spread over Germany moving up to 40 basis points.

Mr Tim Knowles, who manages bond portfolios for Fleming Investment Management, reduced exposure to US Treasuries and increased exposure to the German and Dutch bond markets in November and is maintaining these positions on expectation of further European outperformance.

The yield on benchmark two-year paper tightened in by 7 basis points and that on 10-year paper was unchanged, with the spread between the two maturities widening from 231 basis points to 238. On Liffe the March 10-year bund future closed at 100.02, up 0.06 on the day.

■ UK government bonds ended the day largely unchanged, with some traders reporting some switching from 10-year gilts to bunds. On Liffe the March long gilt future closed at 110 9/32, up 1/32.

The 10-year yield spread over Germany moved from 169 basis points to 170 points. The yield on benchmark two-year gilts fell by 4 basis points and that in the 10-year sector by 2, with the spread between the two maturities at 104 basis points.

Late in the session there was talk of strong figures in the CBI distributive trades survey, due out today, but analysts believe political uncertainty will outweigh economic data for the rest of the year.

■ High-yielding markets benefited from the European rise. News of the resignation of Mr Lamberto Dini, the Italian prime minister, came too late to affect the market, which had experienced a particularly volatile day.

On Liffe the March contract closed up 0.14 at 109.86. The spread over Germany in the 10-year sector tightened slightly in from 468 basis points to 466. The yield spread over Germany on Swedish 10-year bonds moved from 235 basis points to 233 points, and on Spanish bonds from 356 to 358.

■ The French markets initially lost ground amid disappointment over the Bank of France's inaction on interest rates. At Matif the March 10-year future settled at 120.98, down 0.14, but later recovered in Globex trading.

Lending to developing world 'shows increase'

By Richard Lapper

Banks from the developed world increased their lending to developing countries in the first half of last year compared with the same period of 1994, according to figures released today by the Bank for International Settlements (BIS).

Outstanding claims of banks reporting to the BIS (from the Group of Ten plus seven other developed countries) on the developing countries increased by $25.6bn, compared with a rise of $19.9bn in the same period of the previous year.

The report noted that banks' short term claims – up to one year – rose as a percentage of total claims on developing countries, reflecting the growth of trade finance, increased reliance on local banking systems to channel funds, and continuing caution on the part of creditor banks.

The pattern of lending to developing countries varied sharply between regions, with consolidated claims on borrowers in Latin America falling by $4.2bn, compared with a rise of $3.8bn in the first half of 1994.

Outstanding claims on borrowers in Asia rose by $33.7bn in the first six months, compared with a rise of $15.6bn in the same period of 1994. Claims on eastern Europe rose by $3bn, having fallen by $3.8bn in the first half of 1994.

The report said it was "too early to say" whether the Mexican crisis had led to reorientation of lending away from Latin America, although there was "definite evidence" of greater lender selectivity in the granting of new loans.

The report said that greater dependence on short-term capital had entailed a more frequent reassessment of existing commitments by creditor banks.

Canadian issues maintain momentum

By Conner Middelmann

The eurobond market took a breather yesterday as issuance slowed from recent heavy volumes, but the Canadian dollar sector remained busy, absorbing, among others, a C$1.25bn 10-year global bond for the Province of Ontario.

The bonds met with good demand from institutional investors around the world, especially in Europe, where more than 30 per cent of the deal was placed.

"We were pleasantly surprised – we expected to sell about C$250m into Europe but placed just over C$400m, well beyond our expectations," said Mr Gadi Nayman, director of finance at the Ontario Financing Authority.

Yesterday's issue will go towards Ontario's C$14bn borrowing requirement for 1996-97. Of that, C$8bn will go towards financing the budget deficit and C$6bn will pay for bond redemptions. That contrasts with a C$10.6bn borrowing requirement last year, which

INTERNATIONAL BONDS

consisted of C$8.7bn in deficit financing and C$1.9bn in redemption payments.

Ontario's bonds were priced to yield 30 basis points over Canadian government bonds, which was widely deemed as fair, especially compared with the recent slew of tightly-priced, arbitrage-driven deals.

According to one trader, "there are two types of Canadian dollar issuers these days: Canadian names like Ontario or Saskatchewan, who do unswapped deals and can offer attractive pricing, or classic frequent eurobond borrowers doing swapped deals that are extremely tightly priced – often well through the government curve".

This is because swap spreads in the Canadian dollar market are extremely tight, he says: the three-year swap spread stood at a mere 2 basis points over government bonds yesterday, while the five-year spread was at 8 basis points.

The Nordic Investment Bank was an example of the latter type of issuer: it launched C$100m of five-year bonds priced to yield flat on government bonds, and the spread widened out by several basis points after the bonds were freed to trade.

Still, lead manager Toronto Dominion Bank was confident the bonds would get placed with European retail investors, who will see heavy redemptions this year. After C$7.2bn of redemptions last year, 1996 will see some C$17bn of maturing bonds – a monthly average of C$1.4bn.

Also driving Canadian dollar issuance has been the currency's recent strength and the Canadian government bond market's outperformance of US Treasuries, dealers said.

Elsewhere, General Motors Acceptance issued $200m of three-year bonds priced to yield 32 basis points over Treasuries. Lead manager UBS said the deal saw good demand from Swiss and German retail investors for its outright yield pick-up over other recent paper, although the yield spread widened out slightly.

After Austria's successful DM2bn offering this week, the D-Mark sector is to see more 10-year supply with a DM1bn eurobond for L-Bank via CSFB and Deutsche Morgan Grenfell next week. Far Eastern investors, which were keen buyers of D-Mark paper this week, are expected to underpin L-Bank's offering, dealers said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
General Mtrs.Acceptance Corp.	200	5.625	99.72R	Jan.1999	0.225R	+32(5¼%-98)	UBS
D-MARKS							
Westphalische Hypo.(a)	100	(a1)	101.85	Jan.2001	2.00	-	DG Bank
LUXEMBOURG FRANCS							
BGL(Frankfurt Branch)(s)	2bn	6.00	102.35	Dec.2002	1.875	-	BGL
AUSTRALIAN DOLLARS							
Toronto Dominion Australia	100	7.25	100.15	Feb.1999	1.50	-	Hambros Bank
CANADIAN DOLLARS							
Province of Ontario	1.25bn	7.50#	99.529R	Jan.2006	0.35R	+30(8¾%-05)	CIBC/Merrill/RBC Dominion
Nordic Investment Bank(s)	100	6.625	99.15R	Dec.2001	0.25R	flat(7½%-01)	Toronto Dominion Bank
PESETAS							
European Investment Bank	20bn	8.90	101.22	Feb.2001	1.625	-	Bco Santander de Negocios
SOUTH AFRICAN RAND							
Deutsche Bank Finance	250	13.50	101.00	Jan.1997	1.00	-	Deutsche Morgan Grenfell
HONGKONG DOLLARS							
European Investment Bank(b)	500	6.50	100.384R	Oct.2002	0.30R	-	HSBC Markets

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Oeffentliche Pfandbrief. Callable on 25/1/99 at par. a1) 4½% to 25/1/99 and 6⅛% thereafter. b) Quarterly coupons. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	112.2600	-	8.19	8.12	8.27
Austria		6.500	11/05	107.6400	-0.050	6.27	8.29	8.66
Belgium		6.500	03/05	99.8400	+0.080	6.52	6.64	6.74
Canada *		8.750	12/05	110.2500	+0.460	7.27	6.96	7.26
Denmark		8.000	03/06	106.3600	-0.090	7.10	7.12	7.34
France	BTAN	7.750	04/00	107.3900	+0.360	5.73	5.66	6.11
	OAT	7.750	10/05	108.3600	+0.040	6.57	6.60	6.95
Germany Bund		6.500	10/05	104.0300	+0.070	5.94	5.95	6.23
Ireland		8.000	08/05	103.9000	-	7.44	7.38	7.54
Italy		10.500	09/05	101.0000	-0.090	10.33†	10.33	11.18
Japan	No 129	6.400	03/00	118.2440	-0.060	1.71	1.84	1.28
	No 174	4.600	09/04	111.3550	-	2.96	3.04	2.63
Netherlands		6.750	11/05	105.9600	+0.050	5.93	5.94	6.23
Portugal		11.875	02/05	113.2500	+0.030	9.62	9.81	10.29
Spain		10.150	01/06	103.5100	+0.080	9.52	8.46	10.28
Sweden		6.000	02/05	85.8460	+0.170	8.28	8.23	8.74
UK Gilts		8.000	12/00	104-17	+2/32	6.69	6.85	6.95
		8.500	12/05	106-29	-	7.49	7.42	7.59
		9.000	10/08	110-31	+1/32	7.64	7.58	7.72
US Treasury *		5.875	11/05	100-20	-12/32	5.79	5.55	5.87
		6.875	08/25	109-17	-29/32	6.17	5.94	6.23
ECU (French Govt)		7.500	04/05	104.3300	-0.230	6.85	6.86	7.17

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.32	Two year	5.23
Prime rate	8½	Two month	5.26	Three year	5.32
Broker loan rate	7¼	Three month	5.16	Five year	5.49
Fed.funds	5⅞	Six month	5.19	10-year	5.79
Fed.funds at intervention	-	One year	5.17	30-year	6.15

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	120.96	120.98	+0.14	121.20	120.84	135,730	118,129
Jun	121.40	121.44	-0.12	121.54	121.30	2,250	8,872
Sep	120.34	120.34	-0.18	120.52	120.34	342	731

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Feb	Calls Mar	Calls Jun	Puts Feb	Puts Mar	Puts Jun
110	-	-	-	0.03	0.18	0.53
119	-	2.32	-	0.04	0.32	0.72
120	1.11	1.56	-	0.18	0.58	1.06
121	0.45	0.94	1.86	0.43	0.81	1.43
122	0.13	0.51	1.32	-	-	-

Est. vol. total, Calls 27,048 Puts 26,107 . Previous day's open int., Calls 130,713 Puts 129,271

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.85	100.02	+0.06	100.20	99.76	165763	215785
Jun	99.10	99.34	+0.06	99.46	99.10	808	3618

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
10000	0.36	0.71	0.63	0.97	0.33	0.69	1.29	1.63
10050	0.15	0.47	0.44	0.76	0.63	0.95	1.60	1.92
10100	0.05	0.30	0.31	0.60	1.03	1.29	1.97	2.26

Est. vol. total, Calls 23970 Puts 12744. Previous day's open int., Calls 186910 Puts 166394

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	109.52	109.80	+0.08	110.54	109.35	52702	58739
Jun	108.50	109.41	+0.09	109.60	108.50	162	1691

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10950	1.56	2.41	1.26	2.50
11000	1.29	2.18	1.49	2.77
11050	1.05	1.97	1.75	3.06

Est. vol. total, Calls 4281 Puts 1760. Previous day's open int., Calls 53894 Puts 42374

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	80.65	96.68	-0.07	96.99	96.41	58,697	49,943

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	110-03	110-09	+0	110-22	109-29	69148	134253
Jun	110-00	109-22	+0	110-00	110-00	126	279

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
110	0-49	1-17	1-22	1-60	0-31	0-63	1-42	2-18
111	0-21	0-51	0-60	1-32	1-03	1-33	2-18	2-52
112	0-07	0-30	0-40	1-09	1-53	2-12	2-60	3-29

Est. vol. total, Calls 5756 Puts 3178. Previous day's open int., Calls 21148 Puts 19765

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	81.04	81.10	-0.22	91.32	90.90	2,270	7,661

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	118-26	118-30	+0-05	119-04	118-15	505,405	371,695
Jun	118-05	118-18	+0-07	118-22	118-02	1,675	18,005
Sep	-	117-28	-	-	-	256	5,572

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	118.75	[illegible]	[illegible]	119.78	118.58	2620	0
Jun	118.30	[illegible]	[illegible]	118.30	118.10	153	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Jan 11	Day's change %	Wed Jan 10	Accrued interest	xd adj. ytd		Low coupon yield Jan 11	Jan 10	Yr. ago	Medium coupon yield Jan 11	Jan 10	Yr. ago	High coupon yield Jan 11	Jan 10	Yr. ago
1 Up to 5 years (22)	123.13	+0.04	123.07	2.23	0.12	5 yrs	6.97	6.96	8.88	7.00	7.02	8.69	7.06	7.09	8.90
2 5-15 years (21)	150.22	-0.07	150.12	2.24	0.00	15 yrs	7.69	7.70	8.57	7.73	7.73	8.70	7.82	7.82	8.91
3 Over 15 years (8)	166.37	+0.07	166.24	1.96	1.02	20 yrs	7.78	7.79	8.54	7.81	7.82	8.70	7.87	7.88	8.84
4 Irredeemables (6)	191.27	+0.12	191.05	1.67	0.00	Irred.†	7.88	7.89	8.80						
5 All stocks (57)	144.88	+0.06	144.79	2.22	0.21										

Index-linked							Inflation 5% Jan 11	Jan 10	Yr. ago	Inflation 10% Jan 11	Jan 10	Yr. ago
6 Up to 5 years (1)	197.04	+0.01	197.02	1.87	0.00	Up to 5 yrs	2.48	2.48	4.10	1.33	1.33	2.91
7 Over 5 years (11)	188.38	-0.01	188.41	0.93	0.00	Over 5 yrs	3.55	3.55	3.90	3.36	3.36	3.72
8 All stocks (12)	188.45	+0.01	188.47	0.95	0.00							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 11	Jan 10	Jan 9	Jan 8	Jan 5	Yr ago	High*	Low*
Govt. Secs. (UK)	95.33	95.29	95.41	95.23	95.33	90.75	96.22	90.22
Fixed Interest	114.08	114.08	114.06	114.28	114.34	109.18	115.04	108.77

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jan 10	Jan 9	Jan 8	Jan 5	Jan 4
Gilt Edged bargains	94.8	93.3	88.3	83.8	94.4
5-day average	83.1	81.5	79.2	71.1	63.5

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on January 11

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	99½	99⅝		5.48
Abbey Natl Treasury 6½ 03	1000	101½	101¾	-¼	6.23
ABN Amro Bank 7¼ 05	1000	105	106¼	-⅜	6.49
African Dev Bk 7⅜ 23	500	105¼	105¾	-⅞	6.95
Alberta Province 7⅝ 98	1000	105¼	105½		5.55
Asian Dev Bank 6¼ 05	750	101¼	101½	-⅜	6.17
[illegible]					
Sweden 8 97	2500	107⅛	107¼		3.85
United Kingdom 7¾ 97	5500	105¾	105⅞		3.74
Volkswagen Intl Fin 7 00	1000	104⅞	105⅛	+⅛	6.15
World Bank 0 15	2000	30¼	30½		8.18
World Bank 5⅞ 03	3000	100⅞	101	-⅛	5.73
SWISS FRANC STRAIGHTS					
[illegible]					
Abbey Natl Treasury 8 03 £	1000	101	101¼		7.80
Alliance Leics 11⅛ 97 £	100	105⅝	106		6.73
British Land 8⅞ 23 £	150	93¾	94⅝		9.74
Denmark 6¾ 98 £	800	99¾	100		6.83
EIB 8 03 £	1000	102¼	103½		7.58
Halifax 10⅞ 97 £	102	104	104¼		6.59
[illegible]					

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Weak European growth theme gathers pace

By Philip Gawith

Foreign exchanges yesterday continued in their recent sedentary mode, but low level rumblings in both the US and Europe suggest this pattern may not persist for long.

Lack of budgetary progress and nervous asset markets in the US are not providing a supportive backdrop for the dollar, yet there is widespread agreement that everybody will benefit from a stronger dollar, especially European economies where growth is being hampered by overvalued currencies.

In the short term, trading is also being inhibited by the absence of economic data releases in the US. This dampens trade in the bond market, which sometimes provides a lead for the dollar. It also puts increased focus on the budget process, which shows every sign of being a drawn out affair.

The dollar closed in London at DM1.437, from DM1.4383. Against the yen it finished slightly lower at Y104.585, from Y104.94.

In Europe the French franc lost ground after comments from Mr Michel Barnier, the European Affairs Minister, suggesting a possible referendum on European issues. It closed at FFr3.434 against the D-Mark, from FFr3.429.

Interest rates were trimmed in some Scandinavian countries, with the Bank of Finland cutting its base rate to 4.5 per cent from 4.75 per cent, and the Danish central bank cutting the 14-day rate by 10 basis points to 4.5 per cent.

Sterling was little moved, finishing at DM2.2167, from DM2.2221, and at $1.5447, from $1.545.

■ Pound in New York

Jan 11	— Latest —	— Prev. close —
£ spot	1.5450	1.5470
1 mth	1.5438	1.5457
3 mth	1.5416	1.5436
1 yr	1.5307	1.5320

■ The action was focused more in the interest rate markets than foreign exchange, with German bond and interest rate futures gaining ground. As expected, German 1995 GDP figures showed growth slowing to 1.9 per cent, from 2.9 per cent in 1994.

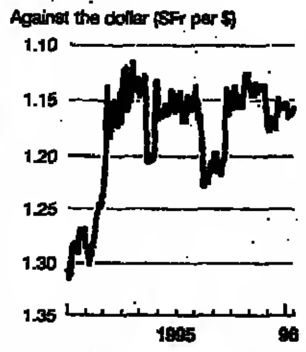
For those who failed to discern the cause, and implications, of these figures, Mr Guenter Rexrodt, the German economics minister, spelled out the detail. Along with high wage deals and tax rises, he said the strong D-Mark had been a hindrance to growth.

He also made clear that stronger growth would be needed if Germany was to fulfil the convergence criteria in terms of the Maastricht treaty.

One country unconcerned about the Maastricht criteria is Britain. Mr William Waldegrave, Britain's chief secretary to the Treasury, restated the prime minister's position that: "we would not be rejoining the ERM in this parliament...and that we would not be going back into an ERM comparable to the old one in any parliament in the future."

Swiss Franc

Against the dollar (SFr per $)



Source: FT Extel

If Maastricht is not a worry, sterling may be. The trade weighted index finished at 83, not that far above the record low of 82.2.

Mr Tim Fox, analyst at Credit Suisse in London, said a mixture of economic and political forces were preying on sterling. Given the government's thin majority, amid rumours of further possible defections, it is assumed that they will opt for economic policies that will improve their chances of survival. "In the face of a widening trade deficit, this would imply a greater tolerance for a weaker pound, and until real demand and output improve, the emphasis on lower interest rates will also likely remain," said Mr Fox.

■ Concerns about currency overvaluation in Europe have led some analysts to start wondering whether the time might not be approaching for co-ordinated intervention to, once more, boost the dollar. "A weak dollar would not be seen to be in anybody's interests," said one analyst.

So far the dollar has remained largely unperturbed by recent wobbles in US markets, especially in equity prices. The conventional wisdom is that a fall in US assets would be negative for the dollar, based on the reasoning that uncertainty about US asset prices could make Japanese investors nervous about buying bonds. So far, though, there has been little evidence of this effect.

Mr Philippe Jordan, senior vice president at Daiwa Securities in New York, said he doubted whether international economic policy co-ordination was enjoying much attention in Washington at the moment, with the Budget dominating the agenda.

He predicted that "all dollar relationships are going to be dominated by asset depreciation in the US, in equities in particular."

■ OTHER CURRENCIES

Jan 11	£	$
Czech Rp	41.2868 - 41.3434	26.6830 - 26.6930
Hungary	210.426 - 210.613	136.260 - 136.310
Iran	4635.30 - 4632.90	3000.00 - 3000.00
Kuwait	0.4617 - 0.4628	0.2990 - 0.2995
Poland	3.8391 - 3.8442	2.4860 - 2.4880
Russia	7203.26 - 7204.15	4662.00 - 4665.00
U.A.E.	5.6721 - 5.6753	3.6729 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Jan 11		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.6097	-0.0183	004 - 190	15.6323	15.5516	15.5662	3.3	15.5222	2.2	-	-	106.6
Belgium	(BFr)	45.6459	-0.0537	032 - 886	45.6886	45.4900	45.5409	2.8	45.3809	2.5	44.6609	2.2	108.9
Denmark	(DKr)	8.5878	-0.0055	832 - 923	8.5923	8.5626	8.5762	1.8	8.5588	1.4	8.5003	1.0	109.5
Finland	(FM)	6.7234	-0.0016	159 - 309	6.7420	6.6920	6.719	0.8	6.7108	0.7	-	-	86.7
France	(FFr)	7.6200	+0.0034	157 - 243	7.6250	7.5798	7.6149	0.8	7.6067	0.7	7.5602	0.9	110.3
Germany	(DM)	2.2167	-0.0024	165 - 209	2.2242	2.2108	2.2146	2.8	2.2048	2.7	2.1614	2.6	111.3
Greece	(Dr)	363.128	-0.175	802 - 454	363.454	361.272	-	-	-	-	-	-	67.0
Ireland	(I£)	0.9673	-0.0008	667 - 678	0.9690	0.9643	0.9663	1.2	0.9652	0.9	0.9617	0.9	97.8
Italy	(L)	2428.58	-1.82	887 - 029	2432.56	2418.98	2437.03	-4.2	2453.68	-4.1	2526.53	-4.0	71.8
Luxembourg	(LFr)	45.6459	-0.0537	032 - 886	45.6886	45.4900	45.5409	2.8	45.3809	2.5	44.6609	2.2	108.9
Netherlands	(Fl)	2.4861	-0.003	848 - 873	2.4920	2.4770	2.4802	2.8	2.4698	2.6	2.4259	2.4	109.1
Norway	(NKr)	9.7715	-0.0107	635 - 794	9.7868	9.7407	9.7614	1.2	9.7398	1.3	9.6587	1.2	98.4
Portugal	(Es)	230.469	-0.045	332 - 606	231.038	229.486	230.894	-2.2	231.799	-2.3	-	-	95.7
Spain	(Pta)	186.716	-0.189	629 - 803	186.803	186.122	187.201	-3.1	188.146	-3.1	192.371	-3.0	82.7
Sweden	(SKr)	10.1565	-0.009	461 - 668	10.1821	10.1198	10.1584	-0.2	10.162	-0.2	10.1772	-0.2	88.0
Switzerland	(SFr)	1.7896	-0.0057	883 - 908	1.7975	1.7844	1.7823	4.9	1.7688	4.7	1.7107	4.4	115.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.0
Ecu	-	1.1952	-0.0016	946 - 957	1.1959	1.1894	1.1941	1.1	1.192	1.1	1.1839	0.9	-
SDR†	-	1.048360	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5445	-0.0002	440 - 449	1.5462	1.5408	-	-	-	-	-	-	-
Brazil	(R$)	1.5026	+0.0008	020 - 031	1.5031	1.4980	-	-	-	-	-	-	-
Canada	(C$)	2.1103	+0.0029	094 - 112	2.1112	2.1044	2.109	0.7	2.1059	0.8	2.0985	0.6	83.9
Mexico	(New Peso)	11.6239	-0.0173	054 - 423	11.6423	11.5986	-	-	-	-	-	-	-
USA	($)	1.5447	-0.0003	443 - 451	1.5464	1.5410	1.5435	0.9	1.5413	0.9	1.5297	1.0	94.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0672	-0.0023	660 - 684	2.0746	2.0632	2.0687	-0.9	2.0725	-1.0	2.088	-1.1	86.7
Hong Kong	(HK$)	11.9452	-0.0016	413 - 490	11.9582	11.9178	11.9381	0.7	11.93	0.5	11.9035	0.3	-
India	(Rs)	55.2926	+0.0606	551 - 300	55.3300	55.2130	-	-	-	-	-	-	-
Israel	(Shk)	4.8192	-0.0039	147 - 236	4.8254	4.8125	-	-	-	-	-	-	-
Japan	(Y)	161.553	-0.574	472 - 633	162.120	161.060	160.716	6.2	159.213	5.8	152.873	5.4	137.7
Malaysia	(M$)	3.9483	+0.0002	465 - 500	3.9500	3.9386	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3481	+0.0015	466 - 496	2.3512	2.3382	2.351	-1.5	2.358	-1.7	2.3822	-1.5	102.5
Philippines	(Peso)	40.4944	+0.0187	607 - 280	40.5280	40.5157	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7933	-0.001	914 - 951	5.7995	5.7794	-	-	-	-	-	-	-
Singapore	(S$)	2.1970	-0.0003	960 - 979	2.1995	2.1924	-	-	-	-	-	-	-
South Africa	(R)	5.6007	-0.0002	981 - 033	5.6048	5.5877	-	-	-	-	-	-	-
South Korea	(Won)	1229.58	+8.37	309 - 403	1234.03	1217.31	-	-	-	-	-	-	-
Taiwan	(T$)	42.3310	+0.0264	107 - 512	42.3512	42.2388	-	-	-	-	-	-	-
Thailand	(Bt)	38.9991	+0.0045	735 - 246	39.0310	38.9070	-	-	-	-	-	-	-

† Rates for Jan 5. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 11		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.1053	-0.0103	019 - 087	10.1180	10.0870	10.0898	1.8	10.0838	1.8	9.9603	1.4	108.5
Belgium	(BFr)	29.5500	-0.03	300 - 700	29.5700	29.4890	29.498	2.1	29.41	1.6	29.105	1.5	108.5
Denmark	(DKr)	5.5595	-0.0027	580 - 610	5.5620	5.5430	5.5557	0.8	5.5495	0.7	5.567	-0.1	108.7
Finland	(FM)	4.3526	-0.0005	488 - 563	4.3672	4.3368	4.3476	1.4	4.3389	1.3	4.3101	1.0	86.0
France	(FFr)	4.9330	+0.003	315 - 345	4.9390	4.9110	4.9362	-0.8	4.9405	-0.6	4.917	0.3	110.0
Germany	(DM)	1.4370	-0.0013	366 - 374	1.4390	1.4340	1.4348	1.6	1.4304	1.8	1.4127	1.7	110.6
Greece	(Dr)	235.080	-0.075	930 - 230	235.280	234.210	236.805	-8.6	240.005	-8.4	253.48	-7.8	66.6
Ireland	(I£)	1.5970	+0.001	965 - 975	1.6012	1.5923	1.5975	-0.3	1.5979	-0.2	1.594	0.2	-
Italy	(L)	1572.20	-0.93	150 - 290	1576.00	1567.00	1579.05	-5.2	1591.1	-4.8	1649.2	-4.8	71.3
Luxembourg	(LFr)	29.5500	-0.03	300 - 700	29.5700	29.4890	29.498	2.1	29.41	1.9	29.105	1.5	108.5
Netherlands	(Fl)	1.6094	-0.0017	090 - 098	1.6142	1.6082	1.6064	2.2	1.601	2.1	1.5811	1.8	108.3
Norway	(NKr)	6.3258	-0.0059	223 - 293	6.3370	6.3147	6.3238	0.4	6.3153	0.7	6.2983	0.4	97.4
Portugal	(Es)	149.200	-0.005	150 - 250	149.800	148.820	149.575	-3.0	150.345	-3.1	153.95	-3.2	95.6
Spain	(Pta)	120.875	-0.09	850 - 900	120.980	120.720	121.27	-3.9	122.005	-3.7	125.495	-3.8	82.5
Sweden	(SKr)	6.5750	-0.0048	700 - 800	6.5852	6.5639	6.5921	-3.1	6.6215	-2.8	6.759	-2.8	87.4
Switzerland	(SFr)	1.1585	-0.0035	580 - 590	1.1628	1.1555	1.1549	3.7	1.1482	3.6	1.1198	3.3	114.8
UK	(£)	1.5447	-0.0003	443 - 451	1.5464	1.5410	1.5435	0.9	1.5413	0.9	1.5297	1.0	82.8
Ecu	-	1.2925	+0.0017	922 - 927	1.2966	1.2917	1.2928	-0.3	1.2932	-0.2	1.2938	-0.1	-
SDR†	-	0.67769	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9994	-	-	-	-	-	-	-
Brazil	(R$)	0.9727	+0.0006	726 - 728	0.9728	0.9726	-	-	-	-	-	-	-
Canada	(C$)	1.3662	+0.0021	659 - 664	1.3668	1.3645	1.3664	-0.1	1.3665	-0.1	1.3715	-0.4	83.1
Mexico	(New Peso)	7.5250	-0.01	150 - 350	7.5350	7.5150	7.5273	-0.4	7.5305	-0.3	7.5353	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3382	-0.0012	378 - 387	1.3416	1.3378	1.3402	-1.8	1.3437	-1.8	1.3624	-1.8	87.7
Hong Kong	(HK$)	7.7330	-	325 - 335	7.7338	7.7325	7.7337	-0.1	7.7355	-0.1	7.7625	-0.4	-
India	(Rs)	35.7950	+0.045	800 - 100	35.8400	35.7800	35.945	-5.0	36.25	-5.1	37.72	-5.4	-
Israel	(Shk)	3.1198	-0.002	177 - 218	3.1224	3.1177	-	-	-	-	-	-	-
Japan	(Y)	104.585	-0.355	560 - 610	104.900	104.350	104.12	5.3	103.26	5.1	99.83	4.5	137.4
Malaysia	(M$)	2.5560	+0.0006	555 - 565	2.5575	2.5517	2.5569	-0.4	2.563	-1.1	2.5865	-1.2	-
New Zealand	(NZ$)	1.5200	+0.0012	195 - 207	1.5207	1.5195	1.5231	-2.4	1.5289	-2.3	1.5535	-2.2	-
Philippines	(Peso)	26.2150	+0.015	000 - 300	26.2300	26.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-0.0001	502 - 506	3.7506	3.7502	3.7508	-0.1	3.7515	-0.1	3.7549	-0.1	-
Singapore	(S$)	1.4223	+0.0001	220 - 225	1.4227	1.4217	1.4187	3.0	1.4127	2.7	1.3873	2.5	-
South Africa	(R)	3.6258	+0.0005	250 - 265	3.6293	3.6245	3.6545	-9.5	3.706	-8.9	3.9283	-8.4	-
South Korea	(Won)	792.100	+4.25	000 - 200	792.200	788.200	795.1	-4.5	798.6	-3.3	817.1	-3.2	-
Taiwan	(T$)	27.4040	+0.0215	980 - 100	27.4100	27.3840	27.424	-0.9	27.464	-0.9	-	-	-
Thailand	(Bt)	25.2470	+0.007	370 - 570	25.2570	25.2370	25.3457	-4.7	25.5495	-4.8	26.432	-4.7	-

† SDR rate per $ for Jan 5. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 10; Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 11	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3½	3⅜	3⅝	3⅝	3⅝	7.00	3.00	-
week ago	3⅝	3½	3⅝	3⅜	3⅝	7.00	3.00	-
France	4⅜	4⅜	4⅜	4⅜	4⅜	4.45	-	5.85
week ago	4⅞	4⅜	4⅝	4⅜	4⅜	4.45	-	5.85
Germany	3⅝	3½	3⅝	3½	3⅜	5.00	3.00	3.73
week ago	3⅝	3⅜	3⅜	3⅜	3⅝	5.00	3.00	3.75
Ireland	5½	5½	5½	5⅝	5⅝	-	-	6.25
week ago	5½	5½	5⅝	5⅝	5⅝	-	-	6.25
Italy	10⅝	10⅝	10⅝	10⅜	10⅜	-	6.00	10.48
week ago	10⅝	10⅝	10⅜	10⅝	10	-	6.00	10.48
Netherlands	3⅝	3⅜	3⅝	3⅝	3⅝	-	3.00	3.40
week ago	3½	3⅜	3⅝	3⅝	3⅜	-	3.00	3.40
Switzerland	1⅝	1⅝	1⅝	1⅝	1⅝	5.00	1.50	-
week ago	1⅝	1⅝	1⅞	1⅝	1⅝	5.00	1.50	-
US	5⅝	5⅝	5½	5⅜	5⅜	-	5.25	-
week ago	5⅝	5⅝	5⅝	5⅜	5⅜	-	5.25	-
Japan	⅜	½	⅜	⅜	⅜	-	0.50	-
week ago	⅝	½	⅜	½	½	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅝	5⅜	5⅜	5⅜	-	-	-
week ago	-	5⅝	5⅜	5⅜	5⅜	-	-	-
US Dollar CDs	-	5.38	5.30	5.25	5.14	-	-	-
week ago	-	5.38	5.32	5.26	5.14	-	-	-
ECU Linked Ds	-	5⅛	5	5	4⅞	-	-	-
week ago	-	5⅛	5⅛	5⅛	5⅛	-	-	-
SDR Linked Ds	-	3⅜	3⅜	3⅜	3⅜	-	-	-
week ago	-	3⅜	3½	3⅝	3⅜	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 11	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅝ - 3⅝	3⅜ - 3⅜	3⅜ - 3⅜	3⅜ - 3⅝	3⅜ - 3⅝	3⅜ - 3⅝
Danish Krone	4⅝ - 4⅜	4⅝ - 4⅜	4⅝ - 4⅜	4⅝ - 4⅜	4⅝ - 4⅜	4⅝ - 4⅜
D-Mark	3⅜ - 3⅜	3⅜ - 3⅜	3⅝ - 3⅝	3⅜ - 3⅜	3⅜ - 3⅜	3½ - 3⅜
Dutch Guilder	3⅝ - 3⅜	3½ - 3⅜	3⅜ - 3⅜	3⅜ - 3⅜	3⅜ - 3⅜	3⅜ - 3⅜
French Franc	4⅝ - 4½	4⅝ - 4⅝	4⅜ - 4⅜	4⅜ - 4⅜	4⅜ - 4⅝	4⅜ - 4⅝
Portuguese Esc.	7⅞ - 7⅝	8½ - 8⅜	8⅜ - 8⅜	6⅜ - 8⅜	6½ - 8⅜	8½ - 8⅜
Spanish Peseta	9⅜ - 9⅜	9⅜ - 9⅜	9⅜ - 8⅜	6 - 8⅞	8⅜ - 8⅜	6⅝ - 6⅝
Sterling	6⅝ - 6½	6⅝ - 6½	6⅜ - 6⅜	6½ - 6⅜	6⅜ - 6⅜	6⅜ - 6⅜
Swiss Franc	1⅜ - 1⅜	1⅝ - 1½	1⅝ - 1⅝	1⅝ - 1⅝	1⅝ - 1⅝	1⅝ - 1⅝
Can. Dollar	5⅞ - 5⅝	5⅜ - 5½	5⅝ - 5½	5⅝ - 5½	5⅜ - 5⅜	5⅝ - 5⅝
US Dollar	5½ - 5⅝	5½ - 5⅝	5⅝ - 5⅜	5⅝ - 5⅜	5½ - 5⅜	5⅝ - 5⅜
Italian Lira	10⅝ - 10	10⅝ - 10	10⅝ - 10⅝	10⅜ - 10⅜	10 - 9⅞	9⅞ - 9⅝
Yen	½ - ⅜	½ - ⅜	⅜ - ⅜	⅜ - ⅜	⅜ - ⅜	⅜ - ⅜
Asian $Sing	2⅝ - 2⅝	2⅜ - 2⅜	2⅜ - 2⅜	2⅜ - 2⅜	2⅜ - 2⅜	2⅜ - 2⅜

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.07	95.01	-0.05	95.10	94.95	3,049	53,368
Jun	95.32	95.32	-	95.10	95.28	9,241	46,422
Sep	95.43	95.41	-	95.45	95.37	5,153	35,211

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.48	96.50	+0.01	96.51	96.48	16767	188501
Jun	96.65	96.69	+0.02	96.71	96.65	22761	145795
Sep	96.68	96.70	+0.02	96.73	96.67	22213	123558
Dec	96.53	96.58	+0.04	96.60	96.62	19470	126417

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.13	90.14	-0.01	90.16	90.10	10268	48157
Jun	90.55	90.59	+0.01	90.62	90.53	3810	26104
Sep	90.76	90.82	+0.02	90.86	90.78	1008	14895
Dec	90.83	90.88	+0.04	90.92	90.83	844	7979

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.35	98.34	-0.02	98.39	98.32	8162	23987
Jun	98.42	98.42	-0.01	98.47	98.40	4646	17067
Sep	98.39	98.38	+0.01	98.43	98.37	1673	8427
Dec	98.16	98.16	-	98.21	98.16	1255	1677

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.11	95.11	-0.01	95.14	95.11	1071	7176
Jun	95.28	95.31	+0.03	95.32	95.28	415	4676
Sep	95.33	95.32	+0.03	95.34	95.30	291	2494
Dec	95.24	95.23	+0.03	95.24	95.22	186	1825

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9000	0.32	0.76	1.10	0.16	0.17	0.26
9025	0.17	0.60	0.93	0.28	0.26	0.36
9050	0.07	0.44	0.76	0.43	0.35	0.44

Est. vol. total, Calls 390 Puts 210. Previous day's open int., Calls 11016 Puts 8108

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 11		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.81	16.70	4.862	2.118	5322	5.447	21.41	505.0	409.1	22.26	3.920	2.191	4.623	3.385	353.9	2.618
Denmark	(DKr)	53.15	10	8.874	2.584	1.126	2829	2.895	11.38	268.4	217.4	11.83	2.083	1.165	[illegible]	[illegible]	[illegible]	[illegible]
France	(FFr)	59.90	11.27	10	2.912	1.269	3188	3.262	12.82	302.5	245.0	13.33	2.348	1.312	[illegible]	[illegible]	[illegible]	[illegible]
Germany	(DM)	20.57	3.870	3.434	1	0.436	1095	1.120	4.403	103.9	84.14	4.579	0.806	0.451	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	(I£)	47.20	8.880	7.880	2.295	1	2512	2.571	10.10	238.4	193.1	10.51	1.850	1.034	[illegible]	[illegible]	[illegible]	[illegible]
Italy	(L)	1.878	0.354	0.314	0.091	0.040	100.	0.102	0.402	9.490	7.686	0.418	0.074	0.041	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	(Fl)	18.36	3.454	3.065	0.893	0.389	977.1	1	3.930	92.72	75.10	4.087	0.720	0.402	[illegible]	[illegible]	[illegible]	[illegible]
Norway	(NKr)	46.71	8.788	7.799	2.271	0.990	2486	2.544	10	235.9	191.1	10.40	1.831	1.023	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	(Es)	19.80	3.725	3.306	0.963	0.420	1054	1.078	4.239	100.	81.00	4.408	0.776	0.434	[illegible]	[illegible]	[illegible]	[illegible]
Spain	(Pta)	24.45	4.599	4.081	1.189	0.516	1301	1.332	5.234	123.5	100.	5.442	0.958	0.536	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	(SKr)	44.92	8.452	7.500	2.184	0.952	2391	2.447	9.617	226.9	183.8	10	1.761	0.984	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	(SFr)	25.51	4.800	4.259	1.240	0.541	1358	1.390	5.462	128.8	104.4	5.679	1	0.559	[illegible]	[illegible]	[illegible]	[illegible]
UK	(£)	45.64	8.587	7.620	2.216	0.967	2429	2.486	9.771	230.5	186.7	10.16	1.789	1	[illegible]	[illegible]	[illegible]	[illegible]
Canada	(C$)	21.63	4.070	3.611	1.052	0.458	1151	1.178	4.631	109.2	88.48	4.815	0.848	0.474	[illegible]	[illegible]	[illegible]	[illegible]
US	($)	29.54	5.558	4.932	1.436	0.626	1572	1.609	6.324	149.2	120.8	6.576	1.158	0.647	[illegible]	[illegible]	[illegible]	[illegible]
Japan	(Y)	28.26	5.317	4.716	1.374	0.599	1504	1.539	6.050	142.7	115.6	6.291	1.108	0.619	[illegible]	[illegible]	[illegible]	[illegible]
Ecu		38.19	7.186	6.377	1.857	0.809	2033	2.080	8.177	192.9	156.2	8.502	1.497	0.837	[illegible]	[illegible]	[illegible]	[illegible]

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6985	0.6978	-0.0010	0.6997	0.6975	23,528	58,429
Jun	0.7015	0.7015	-0.0005	0.7015	0.7015	280	3,069
Sep	-	0.7051	-	-	-	3	1,267

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8673	0.8690	+0.0017	0.8716	0.8660	11,796	39,148
Jun	0.8776	0.8779	+0.0028	0.8780	0.8770	543	833
Sep	-	0.8850	+0.0024	0.8855	-	4	88

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9628	0.9637	-	0.9672	[illegible]	[illegible]	[illegible]
Jun	0.9780	0.9759	+0.0005	0.9780	[illegible]	[illegible]	[illegible]
Sep	-	0.9865	-	-	[illegible]	[illegible]	[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5426	1.5416	-0.0028	1.5436	[illegible]	[illegible]	[illegible]
Jun	1.5370	1.5370	-0.0042	1.5380	[illegible]	[illegible]	[illegible]
Sep	-	1.5370	-0.0002	1.5370	[illegible]	[illegible]	[illegible]

UK INTEREST RATES

LONDON MONEY RATES

Jan 11	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK clearing bank base lending rate 6½ per cent from December 13, 1995

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

BASE LENDING RATES

Adam & Company	6.50	Duncan Lawrie	6.50	Royal Bk of Scotland	6.50
Allied Trust Bank	6.50	Exeter Bank Limited	7.50	●Singer & Friedlander	6.50
AIB Bank	6.75	Financial & Gen Bank	7.50	●Smith & Williamson Secs	6.50
●Henry Ansbacher	6.50	●Robert Fleming & Co	6.50	Standard Chartered	6.50
Bank of Baroda	6.50	Girobank	6.50	TSB	6.50
Banco Bilbao Vizcaya	6.50	●Guinness Mahon	6.50	United Bank of Kuwait	6.75
Bank of Cyprus	6.50	Habib Bank AG Zurich	6.50	Unity Trust Bank Plc	6.50
Bank of Ireland	6.50	●Hambros Bank	6.50	Western Trust	6.50
Bank of India	6.50	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.50
Bank of Scotland	6.50	●Hill Samuel	6.50	Yorkshire Bank	6.50
Barclays Bank	6.50	C. Hoare & Co	6.50		
Brit Bk of Mid East	6.50	Hongkong & Shanghai	6.50		
●Brown Shipley & Co Ltd	6.50	Julian Hodge Bank	6.50		
Citibank NA	6.50	●Leopold Joseph & Sons	6.50		
City Merchants Bank	6.50	Lloyds Bank	6.50		
Clydesdale Bank	6.50	Meghraj Bank Ltd	6.50		
The Co-operative Bank	6.50	Midland Bank	6.50		
Coutts & Co	6.50	●Mount Credit Corp	6.50		
Credit Lyonnais	6.50	NatWestminster	6.50		
Cyprus Popular Bank	6.75	●Rea Brothers	6.50		

● Members of London Investment Banking Association
* In administration

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		539xd	-9	589	476½	5,678	7.3	19.5
Bulmer (HP)		908xd	+4	908	384	358.2	3.0	15.9
Burn St Del		130	-	145	99	77.1	4.8	28.0
Grand Met		449½xd	+4½	467	352	9,389	4.1	15.0
Guinness		483½	-3½	539	404	9,790	3.8	15.8
Highland		332xd	-8	444	317	442.2	3.0	19.0
Kirin Y		748	-7	775¼	621	7,850	0.0	38.7
Macallan-Glen		189	—	217	175	221.9	0.9	41.0
Macdon Martin A		625xd	—	700	600	85.6	2.2	17.6
Matthew Clark		609	-4	694	532	665.6	4.0	–
Merrydown		108xd	—	140	67	11.8	2.4	–
Seagram $		£22[illegible]	-⅞	£25[illegible]	£16¼	6,865	1.3	–

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

Approved by the Inland Revenue.

Net asset values supplied by BatWest Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

Net asset values supplied by BatWest Securities Limited as a guide only. See guide to London Share Service

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31¾	---	£34	£29	2,111	2.7	16.5
Barlow	♦	£9⅞xd	-⅛	£10⅛	£4½	1,984	1.5	Φ
Gold Flds Prop R		158	---	167	138	15.8	7.0	8.8
NK Props		82	---	95	85	3.70	13.0	-
SASOL	♥	570	+5	648	435	3,337	2.4	-
SA Brews		£23½	-⅛	£24⅛	£12½	6,921	1.5	31.3
Standard Bank	□	£30⅜	-⅜	£32⅛	£20⅜	3,689	1.6	20.8
Tiger Oats		1150xd	+3	1185	700	1,738	1.7	Φ
Tongaat-Hulett	†	1160xd	+13	1160	636	1,057	1.7	21.9

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 53 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- ▪ Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(4)(v) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below.
- ☆ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
p Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

Newport Investment Management

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Lazard Freres Asset Managers (CI) Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

GUERNSEY (REGULATED)(**)

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

Royal Bank of Canada Intl Money Market Fd

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd

The Fidelity Trust Global Fund

GAM Fund Management Ltd

GAM Fund Management Ltd - Contd.

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

CFP Interest Rate Arbitrage Fund Plc

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Ashburton Global Funds Ltd (1200)

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mgrs

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

JERSEY (REGULATED)(**)

Barclays Intl Funds

John Govett Management (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (a)

Jupiter Tyndall Global Fund

Dresdnerbank Asset Mngmt SA (a)

Midland Intl Circuit Fund SICAV(z)

LUXEMBOURG (REGULATED)(**)

هكذا من الأصل

FT MANAGED FUNDS SERVICE

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[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGED FUNDS NOTES

[illegible]

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE 100 resilient in the face of US worries

By Steve Thompson, UK Stock Market Editor

Another tense trading session in UK equities closed with overall sentiment in London dented but not too severely damaged after the worrying overnight setback on Wall Street which reacted sharply to the deadlock over the US budget deficit.

The 97-point slide by the Dow Jones Industrial Average on Wednesday triggered an instant and sizeable mark-down of stocks in London, but the level of selling pressure, according to marketmakers, was never more than light.

And with US markets opening in good shape at the outset of trading yesterday, the general feeling in London was that UK equities could well make progress at the start of trading this morning, if the Dow maintained its early progress.

At the end of the session, the FT-SE 100 index settled 16.6 off at 3,654.9, extending the decline in the index over the past three days to 55.7 points.

The FT-SE Mid 250 index marginally underperformed the premier index, retreating 24.2 to 4,015.3; over the past three days the Mid index has fallen 64.8 points.

Increased volatility was accompanied by a useful uptick in the volume of trading throughout the markets. Turnover at 6pm reached a hefty 865.2m shares, the highest since before Christmas.

Once again Forte, the hotel and restaurants group under siege from Granada, was the heaviest-traded stock with 40m shares changing hands, with many of the market's arbitrageurs involved in the stock as a cheap way into Granada. The latter have been pinpointed by some market observers as cheap.

Allied Colloids, the chemicals group, attracted similar turnover after a series of agency crosses, where brokers match buyers and sellers at the same price. Activity in Allied Colloids and Forte accounted for 10 per cent of market volume.

The Dow's downward lurch on Wednesday, which saw the index drop around 100 points for the second time since the US budget deficit wrangle began to cause serious concern to investors, ensured a difficult opening throughout European equity markets.

London, additionally beset by the political worries surrounding the Conservative government's majority, made its expected poor start, but picked up to reach the day's best level, 3,660.6, in mid-morning.

Thereafter, dealers were on the alert for any attempted large-scale selling pressure, but this never materialised.

The Dow's good initial performance saw buyers begin to re-enter the London market and there were suggestions after the close that domestic institutions had decided to put money into UK stocks to take advantage of the recent 60-point setback.

The market's resilience in the face of the Dow's weakness and hints that Goldman Sachs, one of the top US investment banks, had sold 1,500 FT-SE futures contracts, encouraged some of the late buying.

Rumours that General Electric of the US may be considering a bid for Ericsson of Sweden, helped produce late strength in British Aerospace, which has a 31 per cent stake in Orange, the cellular company, and Vodafone.

FT-SE-A All-Share Index

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover

Source: FT Extel

Indices and ratios

FT-SE 100	3654.9	-16.6
FT-SE Mid 250	4015.3	-24.2
FT-SE-A 350	1816.6	-8.8
FT-SE-A All-Share	1791.49	-8.42
FT-SE-A All-Share yield	3.82	(3.80)
FT Ordinary index	2720.9	-5.0
FT-SE-A Non Fins p/e	16.61	(16.66)
FT-SE100 Fut Mar	3670.0	-22.0
10 yr Gilt yield	7.49	(7.49)
Long gilt/equity yld ratio:	2.06	(2.07)

Best performing sectors

1	Retailers, Food	+1.0
2	Leisure & Hotels	+1.0
3	Diversified Indust.	+0.5
4	Transport	+0.3
5	Tobacco	+0.2

Worst performing sectors

1	Oil, Integrated	-2.2
2	Mineral Extraction	-1.9
3	Oil Exploration	-1.8
4	Food Producers	-1.4
5	Building & Construct.	-1.3

Arbs seek the next target

Now that the dust over the Forte-Granada battle seems to be settling, the hot money is moving on.

Senior traders who track abnormal movements in trading volumes believe that arbitrageurs have taken their profits from Sir Rocco Forte's empire.

They believe that Forte's very heavy turnover this week reflects takeover specialists selling out to a second set of arbitrageurs – those who trada on the difference between its price and Granada's. And they are convinced that the early speculators are looking for the next big bid in the market.

Favourites that have been mentioned are those perceived to have weak management such as Rexam, Inchcape, Arjo Wiggins Appleton, J. Sainsbury and P&O.

Vodafone has also been seen as vulnerable following its 20 per cent fall since early November and its shares bounced 3½ to 215¼. However, the feeling in the City is that Vodafone's problems are purely external and it would be hard to unlock extra profits from a company which is possibly suffering from s global industry slowdown.

Rexam, the paper group, has attracted takeover talk for some time, although the appointment of Mr Rolf Börjesson as the new chief executive dampened some of the excitement yesterday and the shares dropped 12 to 368p. Inchcape improved 4 to 260 and Arjo was just a penny off at 180p. P&O jumped 12 to 487p.

BP tide turns

Oil majors slipped back as the recent tide of enthusiasm turned. The fall in the two majors, Shell Transport and BP, accounted for roughly half of the Footsie's slide yesterday.

Several leading brokers seized on the restructuring announcement by BP as an opportunity to take a more negative view on the sector.

While BP's $1bn-plus write-down was expected and should enhance earnings mildly, there are concerns about the company's chemicals arm. Also, the recent increase in the spot oil price has not trickled through into the price of Brent crude for later months and tha cold weather has eased.

NatWest Securities, the leading hull in the sector, decided that tha time had come to "pause for breath" and cut its recommendation on BP to hold from add.

BZW turned full-scale seller of BP and cnt its 1996 net income forecast by some £200m to £2.062hn. The investment bank also remains a seller of Shell Transport, arguing that the shares are on an unwarranted 15 per cent price/earnings premium to the market.

And SGST has moved to "overvalued" from neutral on BP, saying that the reversal of the oil price rise will hit the stock. BP tumbled 13¼ to 520½p and Shell fell 19 to 847p.

The old advertising slogan "We're with the Woolwich" will be on the minds of institutional investors now that the building society has announced plans to float.

Big funds will be keen to get a weighting in a stock that UBS forecasts will boost the proportion of the Footsie's market value devoted to the bank sector by 3 percentage points.

But institutions will struggle as most of the Woolwich shares will be held by small investors; as a result they will possibly prefer to move into banks with a similar exposure to the mortgage market such as Lloyds TSB and Abbey National. However, profit-taking continued in the sector yesterday. Lloyds shed 4 to 310p and Ahbey 6 to 630p.

In spite of the raised weighting, UBS believes banks face a rash of bad debt provisions as they are hit by the domino effect of recent corporate profits warnings.

A series of trading updates released by retailing companies yesterday did little to banish recent concerns about the outlook for the stores sector.

Storehouse was the worst performer in the FT-SE Mid 250 index, with the shares tumbling 20% to 300¼p after analysts moved to downgrade profits expectations. It cut its estimates for the year to March 1996 by £7.5m to £107.5m, and the following year's figure by a more hefty £17m to £118m.

Several brokers also downgraded Sears, another company to pnblish a trading update. BZW was said to have dropped its current year forecast by £10m to £105m, and by £19m to £125m for the following year. However, fans of the stock had gained the npper hand by the close of the session and the shares closed 1½ ahead at 99½p.

Several analysts also decided to reduce profits expectations at Boots, following its statement which depressed the shares. They lost 6 to 592p, with UBS having downgraded its profits forecast by £10m to £500m for the current year, on concerns about trading in its smaller retail businesses.

But it was the talk of a bid for House of Fraser that lifted the group's shares. The stock put on 5 at 173p, and strong demand for Body Shop, up 8 at 156p, made it the best performer among FT-SE Mid 250 index issues.

Market sentiment continued to move Granada Group's way in its hotly contested bid for Forte, the UK hotels group.

A feeling that Granada is going to win the hid continued to boost demand for its shares, which advanced 11 to finish at 664p after trade of 7.4m. Strong buying of Forte continued, particularly by those that see it as a cheap way into an expanded Granada. The shares rose 8¼ to a record 368¼p. Turnover stayed heavy, totalling 40m.

Hong Kong related stocks benefited from the Far Eastern market's 1 per cent rise yesterday. HSBC improved 3 to 998p in the ordinaries and Cable and Wireless, further helped by s recommendation from ABN Amro Hoare Govett, moved ahead 4 to 460p. However, Standard Chartered, the Footsie's best individual performer last year, fell 14 to 572p on profit-taking.

Financial public relations group Shandwick rose 3 to 40p as Panmure Gordon recommended the stock in the light of the group's debt rescheduling yesterday.

Trafalgar House firmed 1¼ to 30p on the announcement that it is in talks with Persimmon, the housebuilder, about the sale of its Ideal Homes housebuilding arm for more than the £150m book value of the underlying assets. Persimmon, expected to call on shareholders for extra cash, fell 10 to 189p.

McDonnell Information Systems jumped 9 to 59p after GEAC Computer Corporation acquired a stake of almost 3.8 per cent.

SBC Warburg was responsible for ripples of unease circulating throughout the smaller insurance brokers as the broker's research team instigated a series of profits downgrades.

Among stocks downgraded were Steel Burrill Jones, 2 off at 43p, Bradstock, also 2 down at 72p, and Lloyd Thompson, 3 easier at 177p.

MARKET REPORTERS: Peter John, Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Jan 11	Jan 10	Jan 9	Jan 8	Jan 5	Yr ago	*High	*Low
Ordinary Share	2720.9	2725.9	2738.7	2750.5	2737.2	2339.4	2750.5	2238.3
Ord. div. yield	4.06	3.98	3.96	3.94	3.96	4.47	4.73	3.94
P/E ratio net	16.28	16.08	16.18	16.27	16.18	17.65	21.23	15.35
P/E ratio nil	16.07	15.88	15.97	16.06	15.98	17.09	22.21	15.17

*For 1995/96. Ordinary Share index since compilation: high 2750.5 8/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2709.3	2710.1	2718.5	2718.5	2711.8	2711.9	2719.5	2723.0	2718.3	2724.8	2709.3

	Jan 11	Jan 10	Jan 9	Jan 8	Jan 5	Yr ago
SEAQ bargains	29,766	31,370	31,818	33,233	30,890	19,770
Equity turnover (£m)†	-	1989.0	1726.1	1287.0	1491.1	1312.9
Equity bargains†	-	36,452	38,294	38,318	35,176	27,587
Shares traded (mi)†	-	715.4	739.0	520.4	604.3	669.7

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	502	Total Highs	95	Total contracts	49,147
Total Falls	924	Total Lows	49	Calls	24,260
Same	1,419			Puts	24,887

Jan 11 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3676.0	3657.0	-25.0	3689.0	3662.0	18133	63454
Jun	3692.0	3669.0	-25.0	3692.0	3682.0	3	1117

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4040.0	4030.0	-20.0	4040.0	4040.0	50	3362

■ FT-SE 100 INDEX OPTION (LIFFE) (*3651) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

[illegible]

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

[illegible]

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FT-SE Actuaries Share Indices — The UK Series

	Jan 11
FT-SE 100	3654.9
FT-SE Mid 250	4015.3
FT-SE Mid 250 ex Inv Trusts	4024.4
FT-SE-A 350	1818.6
FT-SE-A 350 Higher Yield	1821.8
FT-SE-A 350 Lower Yield	1816.2
FT-SE SmallCap	1965.57
FT-SE SmallCap ex Inv Trusts	1940.69
FT-SE-A ALL-SHARE	1791.49

■ FT-SE Actuaries All-Share

	Jan 11
10 MINERAL EXTRACTION(25)	3177.59
12 Extractive Industries(6)	4027.98
15 Oil, Integrated(3)	3233.79
18 Oil Exploration & Prod(16)	2090.28
20 GEN INDUSTRIALS(276)	1992.09
21 Building & Construction(34)	1029.94
22 Building Matls & Merchs(29)	1783.60
23 Chemicals(23)	2421.24
24 Diversified Industrials(21)	1825.37
25 Electronic & Elect Equip(38)	2247.90
26 Engineering(71)	2195.12
27 Engineering, Vehicles(13)	2489.02
28 Paper, Pckg & Printing(26)	2591.66
29 Textiles & Apparel(19)	1440.96
30 CONSUMER GOODS(82)	3577.01
32 Alcoholic Beverages(9)	2914.05
33 Food Producers(24)	2563.72
34 Household Goods(15)	2662.37
36 Health Care(20)	1694.57
37 Pharmaceuticals(13)	4956.36
38 Tobacco(1)	4688.63
40 SERVICES(254)	2228.07
41 Distributors(32)	2581.25
42 Leisure & Hotels(24)	2709.10
43 Media(46)	3514.14

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

BUSINESSES FOR SALE

LEGAL NOTICES

THE MORTGAGE CORPORATION GROUP LIMITED
(Company No. 2193941)
Registered in England and Wales

As part of the reorganisation of the structure of The Mortgage Corporation Group, the above company, a holding company, has been placed into a solvent liquidation process. As part of that process notice is hereby given that creditors of the above company are required on or before 20 February 1996 to send their names and addresses, and the particulars of their debts or claims, and the names and addresses of their solicitors or legal representatives to A Wilkinson and M Hyde of Clifford Chance, 200 Aldersgate Street, London EC1A 4JJ, England, who are the liquidators of the above company.

If so required by notice in writing from the liquidators, such creditors, either personally or by their solicitors or legal representatives, shall attend at such time or place as shall be specified by the liquidators to prove their debts and claims and in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

The Mortgage Corporation Limited, the principal operating company of the group is unaffected by the above.

This notice is purely formal and all creditors of the above company will be or have been paid.

A Wilkinson/M Hyde
Liquidators

PUBLIC NOTICES

EXPRESSION OF INTEREST: LICENCE TO OPERATE THE SHEUNG SHUI SLAUGHTERHOUSE

The Hong Kong Government is planning to construct a new slaughterhouse in area 2B of Sheung Shui, for completion in October 1998. The new Sheung Shui Slaughterhouse (SSSH) will replace the Government-owned Cheung Sha Wan Abattoir and Kennedy Town Abattoir and the privately owned Yuen Long Slaughterhouse Situated on a 5.7 hectare site, the slaughterhouse will have a slaughtering capacity of 5,000 pigs and 400 cattle per day. The Hong Kong Government intends to engage a private company in the operation and management of the SSSH, and now invites companies with experience in the operation of large-scale slaughterhouses to express interest for the licence to operate the Sheung Shui Slaughterhouse.

The prospective operator of the SSSH will be selected among companies which have expressed interest and are found to be suitable and qualified to take up the licence to operate the Sheung Shui Slaughterhouse.

Interested companies are invited to apply to:

Assistant Director (Special Projects),
Regional Services Department,
7/F, Regional Council Building,
1-3 Pai Tau Street, Shatin, N.T. Hong Kong

Interested companies will be required to demonstrate their capabilities and experience in the management of large-scale slaughterhouses, and to explain how they propose to apply their experience and expertise in the management of the SSSH. They should also provide information on the history, structure, business and financial position of their companies.

An information note on the slaughterhouse and the application procedures and a set of the proposed broad terms of the licence to operate the Sheung Shui Slaughterhouse can be obtained from the Hong Kong Government Office at No. 6 Grafton Street, London W1X 3LB.

For further information and enquiries, please fax to the Regional Services Department at (852) 2692 6867.

The deadline for submission is 12 February 1996 (Hong Kong time). All submissions must be in English.

This invitation to express interest and any application in response will not create any relationships, contractual or otherwise, between Hong Kong Government and the parties submitting the applications.

CONTRACTS & TENDERS

Mandelli Group in extraordinary administration

Notice of Extension of the term for the deposit of the tenders to purchase the Mandelli Group ongoing businesses in extraordinary administration

The Commissioner of Mandelli Group in extraordinary administration, given that on October 23rd, 1995 the *invitation to tender to purchase the Mandelli Group ongoing businesses* was published, containing the invitation to present irrevocable offer to purchase one or more of the following ongoing businesses located in Italy:

a. Mandelli Piacenza Business, inseparably composed by Mandelli Industriale S.p.A., Mandelli S.p.A., Plasma S.p.A., Spring S.p.A.;
b. Mandelli 2 S.p.A., Montefredane (AV);
c. Prometa S.p.A., Prata P.U. (AV);
d. Hitec Campania S.p.A., Prata P.U. (AV);
e. F.M.S. - Parma S.p.A., Rovereto (TN);
f. Imse M.U. S.r.l., Brescia;
g. Saimp Sistemi S.p.A., Padova.

Informs

that the term for the deposit of the tenders to purchase the Mandelli Group ongoing businesses, expiring on **December 27th, 1995**, already postponed to **January 15th, 1996**, is furtherly and definitively postponed to **January 31st, 1996**, kept safe every other condition as indicated in the invitation published in this newspaper on October 23rd, 1995.

The Commissioner of the Mandelli Group
in extraordinary administration
(Avv. Vincenzo Nicastro)

Bardino & Partners

BERKSHIRE COUNTY COUNCIL PENSION FUND

Management of an Ethical/ Environmental Portfolio (c: £6m.)

The County Council invites expressions of interest from investment management companies wishing to be considered for management of a UK equity portfolio in which stock selection is governed by selected ethical/environmental criteria.

Prospective managers should be able to demonstrate s track record of managing funds on this basis and will be expected to propose the ethical/environmental screening criteria to be used.

Requests for further details and an application form/questionnaire for return by the 31st January 1996 should be made to:

Mr Jack Johnson, Fund Manager, Corporate Finance, P O Box 900, Shire Hall, Shinfield Park, Reading RG2 9XA Tel. 01734 233712 Fax 01734 234109

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 11 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Jan 11 / Frs.)

[illegible]

CZECH REP (Jan 11 / Koruna)

[illegible]

DENMARK (Jan 11 / Kr)

[illegible]

FINLAND (Jan 11 / Mkk)

[illegible]

FRANCE (Jan 11 / Frs.)

[illegible]

GERMANY (Jan 11 / Dm.)

[illegible]

GREECE (Jan 11 / Drachma)

[illegible]

ITALY (Jan 11 / Lire)

[illegible]

NETHERLANDS (Jan 11 / Fls.)

[illegible]

NORWAY (Jan 11 / Kroner)

[illegible]

POLAND (Jan 11 / Zloty)

[illegible]

PORTUGAL (Jan 11 / Escudo)

[illegible]

SPAIN (Jan 11 / Pts.)

[illegible]

SWEDEN (Jan 11 / Kronor)

[illegible]

SWITZERLAND (Jan 11 / Frs.)

[illegible]

TURKEY (Jan 11 / Tk Lira)

[illegible]

PACIFIC

JAPAN (Jan 11 / Yen)

[illegible]

HONG KONG (Jan 11 / H.K.$)

[illegible]

INDONESIA (Jan 11 / Rupiah)

[illegible]

MALAYSIA (Jan 11 / MYR)

[illegible]

NEW ZEALAND (Jan 11 / NZ $)

[illegible]

SINGAPORE (Jan 11 / S$)

[illegible]

AUSTRALIA (Jan 11 / Aust$)

[illegible]

SOUTH KOREA (Jan 11 / Won)

[illegible]

TAIWAN (Jan 11 / TW $)

[illegible]

THAILAND (Jan 11 / Baht)

[illegible]

AFRICA

SOUTH AFRICA (Jan 11 / Rand)

[illegible]

NORTH AMERICA

CANADA

MONTREAL (Jan 11 / Can $)
4 pm close

[illegible]

TORONTO (Jan 11 / Can $)
4 pm close

[illegible]

INDICES

	Jan 11	Jan 10	Jan 9	1995/96 High		1995/96 Low	
Argentina							
General(29/12/77)	(u)	17043.40	17587.03	17858.20	3/1/96	9831.09	9/3/95
Australia							
All Ordinaries(1/1/80)	2248.7	2238.2	2262.8	2274.90	8/1/96	1823.30	8/2/95
All Mining(1/1/80)	1032.3	1014.3	1035.3	1041.50	8/1/96	795.30	8/2/95
Austria							
Credit Aktien(30/12/84)	363.86	365.37	366.25	395.42	2/1/95	328.60	27/10/95
Traded Index(2/1/91)	1022.77	1019.57	1030.14	1056.31	2/1/95	882.10	23/10/95
Belgium							
BEL20(1/1/91)	1605.50	1614.77	1624.87	1624.87	9/1/96	1271.53	9/3/95
Brazil							
Bovespa(29/12/83)	(u)	46222.0	46539.0	48812.00	19/9/95	21382.00	9/3/95
Canada							
Metals Mins◆(1975)	(u)	4801.52	4820.54	5266.37	23/11/95	3808.63	1/3/95
Composite◆(1975)	(u)	4781.05	4812.45	4855.36	9/1/96	3891.41	30/1/95
Portfolio§§(4/1/83)	(u)	2340.08	2354.30	2383.83	9/1/96	1853.26	30/1/95
Chile							
IGPA Gen♥(31/12/80)	(u)	5752.03	5790.47	6363.10	11/7/95	4578.98	9/3/95
Denmark							
CopenhagenSE(3/1/83)	376.10	373.47	374.64	378.16	11/1/95	330.01	29/3/95
Finland							
HEX General(28/12/90)	1675.01	1651.67	1686.10	2232.22	14/9/95	1655.30	29/3/95
France							
SBF 250(31/12/90)	1255.44	1262.13	1267.11	1322.30	12/5/95	1154.41	13/3/95
CAC 40(31/12/87)	1897.85	1910.11	1916.29	2017.27	12/5/95	1721.14	23/10/95
Germany							
FAZ Aktien(31/12/58)	836.62	842.53	841.71	846.76	19/9/95	708.87	30/3/95
Commerzbank(1/12/53)	2421.0	2438.6	2438.2	2438.20	9/1/96	2018.76	30/3/95
DAX‡(30/12/87)	2329.51	2338.19	2349.66	2349.66	9/1/96	1918.96	28/3/95
Greece							
Athens SE(31/12/80)	921.77	925.14	919.57	982.59	4/8/95	787.15	16/3/95
Hong Kong							
Hang Seng(31/7/64)	10429.82	10304.63	10427.30	10573.80	4/1/96	6967.93	23/1/95
India							
BSE Sens.(1979)	3021.89	2997.33	3001.03	3932.09	2/1/95	2922.16	29/11/95
Indonesia							
Jakarta Comp.(10/8/82)	533.78	528.64	530.81	533.78	11/1/96	414.21	19/4/95
Ireland							
ISEQ Overall(4/1/88)	2265.81	2280.24	2298.91	2298.91	9/1/96	1813.59	23/1/95
Italy							
Banca Comm Ital(1972)	586.05	587.42	593.56	680.54	10/2/95	547.79	5/12/95
MIB General(2/1/95)	994.0	996.0	1007.0	1019.90	3/1/96	994.00	11/1/96
Japan							
Nikkei 225(16/5/49)	20377.82	20612.32	20652.08	20869.00	8/1/96	14485.40	3/7/95
Nikkei 300(1/10/82)	299.72	303.37	304.75	307.86	5/1/96	222.28	13/6/95

	Jan 11	Jan 10	Jan 9	1995/96 High		1995/96 Low	
Japan							
Topix(4/1/68)	1599.98	1617.45	1622.83	1632.03	5/1/96	1193.16	13/6/95
2nd Section(4/1/68)	2072.50	2077.28	2072.05	2130.86	4/1/95	1441.50	13/6/95
Malaysia							
KLSE Comp.(4/4/86)	1046.79	1052.77	1050.75	1085.84	5/6/95	840.87	24/1/95
Mexico							
IPC(Nov 1978)	(u)	2974.25	2957.46	3011.05	5/1/96	1447.82	27/2/95
Netherland							
CBS TtlRtnGen(End 83)	543.1	546.9	549.3	551.00	8/1/96	422.80	23/3/95
CBS All Shr(End 83)	328.9	331.2	332.6	333.80	8/1/96	265.20	23/3/95
New Zealand							
Cap. 40(1/7/86)	2129.80	2151.35	2165.83	2206.92	20/10/95	1901.43	5/1/95
Norway							
Oslo SE(Ind)(2/1/83)	1296.68	1288.86	1307.83	1315.20	8/1/96	1036.00	10/3/95
Philippines							
Manila Comp(2/1/85)	2664.73	2658.48	2681.76	2958.12	10/7/96	2186.49	20/11/95
Portugal							
BTA(1977)	2538.3	2542.9	2538.3	2911.60	9/1/95	2412.80	22/11/95
Singapore							
SES All-S'pore(2/4/75)	574.68	574.25	575.42	598.37	8/1/96	472.90	23/1/95
South Africa							
JSE Gold(28/9/78)	1659.8♥	1584.2	1571.8	2023.00	2/1/95	1250.30	30/10/95
JSE Ind.(28/9/78)	6315.0♥	6317.3	6312.1	6316.30	10/1/96	6222.00	31/1/95
South Korea							
KoreaCmpEx**(4/1/80)	883.98	885.77	881.99	1027.37	2/1/95	847.09	27/5/95
Spain							
Madrid SE(30/12/85)	323.75	324.52	327.24	329.02	4/1/96	284.06	23/3/95
Sweden							
AffarsvardnGen(1/2/37)	1714.7	1706.9	1743.0	1872.10	19/9/95	1439.80	29/3/95
Switzerland							
Swiss Bk Ind(31/12/58)	1534.94	1548.83	1569.81	1578.80	4/1/96	1174.83	13/3/95
SBC General(1/4/87)	1137.10	1146.20	1159.56	1185.59	4/1/96	870.58	13/3/95
Taiwan							
WeightedPr.**(30/6/66)	4942.62	4862.35	4911.99	7081.49	5/1/95	4503.37	14/8/95
Thailand							
Bangkok SET(30/4/75)	1369.66	1352.34	1349.18	1472.04	10/7/95	1135.89	16/3/95
Turkey							
Istanbul Cmp.(Jan 1986)	44501.1	42497.9	39998.9	54953.80	21/4/95	24844.30	23/1/95
WORLD							
MS Capital Intl(1/1/70)	727.5*	728.9	735.8	743.00	5/1/96	598.21	23/1/95
CROSS-BORDER							
Eurotrack 100(26/10/90)	1504.40	1510.99	1527.11	1535.57	4/1/96	1222.41	13/3/95
Euro Top-100(26/6/90)	1333.01	1340.48	1352.79	1370.55	3/1/96	1117.34	9/3/95
JCapelOrgns(31/12/88)	(u)	351.32	353.12	356.57	4/1/96	282.07	23/1/95
ING Bmgs Emrg(7/1/92)	153.81	154.08	154.94	158.07	2/1/95	117.15	10/3/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (200 x index)							
Jan	1905.0	1905.0	-14.0	1915.0	1896.0	16,905	33,075
Feb	1908.5	1912.5	-14.0	1920.0	1908.5	38	1,051
■ DAX							
Mar	2337.0	2346.0	-11.0	2355.0	2330.0	26,096	-
Jun	2349.0	2359.5	-9.00	2364.5	2347.0	708	-
■ OMX							
Jan	1315.00	1335.00	+11.25	1342.00	1311.00	6,020	19,408
Feb	1330.00	1340.25	+7.75	1340.25	1323.25	1,076	643
■ SOFFEX							
Jan	3282.0	3276.0	-48.0	3292.9	3268.0	12,354	15,006
Feb	3289.0	3282.5	-38.0	3294.9	3275.0	1,263	2,900

** Sat Jan 0 - Taiwan Weighted Price 4847.21; Korea Comp Ex 858.38. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ◆ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 11 - 2330.98 -9.33.

US INDICES

Dow Jones	Jan 10	Jan 9	Jan 8	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5032.94	5130.13	5197.68	5216.47 (13/12/95)	3832.08 (30/1/95)	5216.47 (13/12/95)	41.22 (2/7/32)
Home Bonds	105.58	105.42	105.29	106.66 (10/1/96)	93.63 (3/1/95)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1898.48	1946.56	1986.02	2082.11 (5/12/95)	1473.10 (3/1/95)	2082.11 (5/12/95)	12.32 (8/7/32)
Utilities	225.89	227.92	228.62	228.62 (5/1/96)	183.03 (3/1/95)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5141.90 (5239.23) Low 5000.07 (5100.86) (Theoretical♣)
Day's high 5127.24 (5212.22) Low 5014.89 (5116.40) (Actual♣)

Standard and Poors	Jan 10	Jan 9	Jan 8	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	598.48	609.45	618.46	621.69 (13/12/95)	459.11 (3/1/95)	621.69 (13/12/95)	4.40 (1/6/32)
Industrials♥	702.30	714.96	726.21	731.85 (13/12/95)	546.28 (3/1/95)	731.85 (13/12/95)	3.62 (21/6/32)
Financial	58.57	59.93	60.90	63.66 (6/12/95)	41.64 (3/1/95)	63.66 (6/12/95)	8.64 (1/10/74)
NYSE Comp.	321.41	327.48	331.26	332.83 (3/1/96)	250.73 (3/1/95)	332.83 (3/1/96)	4.46 (25/4/42)
Amex Mkt Val	535.35	541.68	546.35	553.58 (12/9/95)	433.12 (6/1/95)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	990.21	988.81	1032.37	1069.79 (4/12/95)	743.58 (3/1/95)	1069.79 (4/12/95)	54.87 (31/10/72)

■ RATIOS

	Jan 5	Dec 29	Dec 22	Year ago
Dow Jones Ind. Div. Yield	2.28	2.30	2.31	2.76
	Jan 10	Jan 3	Dec 27	Year ago
S & P Ind. Div. yield	2.02	1.95	1.98	2.45
S & P Ind. P/E ratio	18.30	18.85	18.75	18.71

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Motorola	28,826,600	49⅝	-3⅝
Micron Tech	7,449,700	36¼	-⅜
Natl Semi	6,361,200	18½	-½
Dan 0 Bradst	6,182,300	65	+1⅝
IBM	5,684,600	87¼	+½
Cypress Semi	4,936,800	10⅛	-⅛
Loral	4,828,000	43⅝	-⅛
Ford Motor	4,568,200	27½	-⅛
Compaq	4,451,200	45⅝	-⅛
WalMart Strs	3,790,500	22½	-½

■ TRADING ACTIVITY

● Volume (million)

	Jan 10	Jan 9	Jan 8
New York SE	500.936	420.127	131.556
Amex	24.267	20.132	7.774
NASDAQ	615.341	555.961	145.380
NYSE			
Issues Traded	3,091	3,091	2,980
Rises	520	847	1,263
Falls	1,973	1,579	891
Unchanged	598	665	806
New Highs	57	156	130
New Lows	38	13	8

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	601.00	604.00	+3.25	604.35	600.75	119,548	199,049
Jun	610.00	609.20	+3.10	610.00	608.50	937	6,464

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	20500.0	20480.0	-160.0	20530.0	20320.0	22,829	141,206
Jun	20490.0	20490.0	-150.0	20490.0	20340.0	465	18,579

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, January 11, 1996

	Stocks Traded	Closing Prices	Change on day
Toshiba Corp	13.7m	837	-11
JDC Corp	9.5m	590	+70
Nippon Steel Corp	8.8m	364	-1
Nissho Iwai	8.3m	567	-14
Kurabo Inds	8.2m	480	+36
Mitsui Min & Sml	6.9m	447	+10
Kanematsu Corp	6.3m	508	+21
Daido Stl Sheet	5.8m	1840	+30
Toho Zinc Co	4.9m	823	-2
Sumitomo Mtl Min	4.8m	1040	+30

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995/96, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close January 11

Continued on next page

صكذا من الاصل

4 pm close January 11

NYSE COMPOSITE PRICES

Continued from previous page

1995/96 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
33¾	24¼	SaraLee	0.68	2.2	16	4628	31	30½	30¾	+¼
59	39⅝	SBC Cm x	1.65	3.0	10	6171	56⅛	54⅞	55⅞	+⅛
28⅝	20½	Scana Corp	1.44	5.2	17	974	27⅞	27½	27¾	
18⅜	14½	Scecrp x	1.00	5.5	10	5341	u18¼	17⅞	18⅛	+⅛
11¼	5⅞	SchwnkA	0.26	3.5	18	30	7½	7½	7½	-⅛
50¼	37¼	ScheringP			23	823	44	43¾	43¾	+⅛
60¼	35½	SchPl	1.16	2.2	10	7037	54¼	53½	53¾	+⅜
70⅞	50⅛	Schlmb	1.50	2.2	25	4088	67⅞	66½	67	+⅛
28	11¼	Schwab(C)	0.10	0.6	26	4989	19⅜	18⅞	18⅛	-¼
23⅝	20⅜	SchwMaug				501	u23⅝	23¼	23½	+¼
24⅞	11⅛	SciAtl	0.06	0.4	10	4095	14	13½	13¾	+⅛
20	15⅛	Scotsmn	0.10	0.6	11	13	17¾	17⅝	17¾	
40⅝	25⅞	Scripps	0.52	1.3	26	717	39⅛	38⅞	38⅞	+⅛
21½	13⅜	ScuddrNAsF	0.02	0.1		209	16½	16¼	16⅜	
11¾	8⅝	ScuddrNEuF	0.18	1.4		405	11⅝	11½	11⅝	+⅛
20	13⅜	SeaCoB	0.70	4.1	1	10	16⅞	16⅞	16⅞	-¼
18¾	14⅜	SeaC1.4625	1.46	8.4		3	15¾	15½	15½	
54¾	23⅞	S'gate			9	12725	50¼	48¼	50⅛	+2⅜
39½	25⅝	Seagrm	0.60	1.7	24	4724	35⅛	34⅞	35⅛	+⅜
22½	15¼	Seagull En			73	825	20¼	19¾	19⅞	-⅜
30¾	10	Sealed Air			22	423	27⅛	28¼	28⅞	+⅞
43⅝	30⅜	SearsR	0.92	2.2	11	12985	42¾	41¼	42⅝	+⅛
30½	18⅜	SecCapSBI	1.24	6.3	23	386	19¾	19⅝	19¾	
12⅞	10⅞	Seligm Sel	0.84	6.7		24	12¾	12⅝	12⅝	

NASDAQ NATIONAL MARKET

4 pm close January 11

AMEX COMPOSITE PRICES

4 pm close January 11

AMERICA

Bonds, high-tech demand help spur Dow

Wall Street

Gains in the bond market and renewed interest in technology companies helped shares recover from two days of sharp losses in midday trading, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average, which had fallen 164 points in the previous two sessions, was up 23.13 to 5,056.06. But the Standard & Poor's 500 was 2.01 easier at 600.49 and the American Stock Exchange composite lost 1.40 at 536.75. NYSE volume was heavy at 347m shares.

The Nasdaq composite, which has a 40 per cent weighting in technology companies, gained 15.35 at 1,005.56, reversing some of the 42 points it had fallen on Tuesday and Wednesday. The Pacific Stock Exchange technology index jumped nearly 3 per cent in early trading.

Shares received some support from bonds, which fell earlier this week on fears that politicians in Washington would not strike a deal to balance the federal budget.

At midday the benchmark 30-year Treasury bed added about half a point to yield 6.152 per cent.

The rebound in technology shares came in spite of two pieces of bad news for the sector. First, Fidelity Investments reported that its Magellan Fund, the largest mutual fund in the US, had sharply lowered its technology holdings.

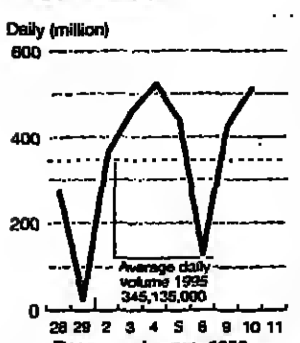
Then the Semi-conductor Industry Association reported that the ratio of orders received to orders shipped, a key measure of industry demand, had fallen in December to 1.09, down from 1.10 in November.

But semi-conductor companies were mostly stronger. Intel, which had fallen more than $3 since Monday, added $1⅞ at $56, Micron Technology was $1 stronger at $37¼ and Texas Instruments moved ahead $2⅜ to $47⅞.

Advanced Micro Devices gained $1 at $18 after reporting fourth-quarter earnings broadly in line with expectations.

J.P. Morgan, the only commercial bank in the Dow, added $2⅜ at $78⅝ after reporting fourth-quarter earnings of $1.80 per share, 23 cents ahead of analysts' expectations.

NYSE volume



Canada

Toronto turned back after a firm start, as investors took profits in sharply higher gold stocks, and by noon the TSE 300 composite index was 4.52 softer at 4,776.53 in heavy volume of 41.8m shares.

Barrick Gold receded C$1⅝ to C$38⅝, Placer Dome C$1 to C$36, Echo Bay C$⅝ to C$16 and Franco-Nevada C$⅝ to C$81. Royal Oak Mines, however, held steady at C$6⅝ after it said that it had identified a new gold resource at an Ontario property.

Mexico tracks US

Mexican equities tracked the performance of Wall Street and by midsession the IPC index was up 20.45 at 2,994.70, but down from an earlier high of 3,003.89.

On Wednesday the market had resisted a sell-off within the region helped by a fall in domestic interest rates and the relative strength of the peso.

Dealers said that the market's short term target remained 3,100.

SAO PAULO recovered from Wednesday's drop and by early afternoon the Bovespa index was up 901.23 or 2 per cent at 47,123. In the previous two sessions the index had fallen by 2.5 per cent in local currency terms, and analysts said there was room for another wave of profit-taking due to cumulative gains of 7.5 per cent since the beginning of the year.

Analysts noted that last year's launch of Telebras ADRs on the New York Stock Exchange had intensified the links between the Brazilian and the US markets.

Telebras accounts for more than 50 per cent of the bourse's daily volume.

S African golds at year's high

Johannesburg's gold shares shot up to a 12-month high on the back of a firmer bullion price, while industrials spent much of the session struggling to make up early losses.

The overall index rose 22.4 to a seventh consecutive record peak of 6,661.1, industrials lost 2.3 at 8,315.0 and golds surged 75.7 to 1,659.9.

Gold mines in the Anglo American stable led the market, with Western Deep climbing R7 to R155 and Vaal Reefs R22.50 to R317.50.

Analysts said that industrial shares shrugged off the broad declines seen on international markets on Wednesday and yesterday, with foreign investment still lured by South Africa's robust economic outlook.

South African Breweries, the leading industrial issue, edged 50 cents lower to R132.50, but Iscor, the steelmaker, added 12 cents at R3.68.

Mining financials made good gains. Anglos advanced R1 to R252, Anglovaal N-shares rose R10 to R170 and JCI added R1.50 at R34.25.

Lonrho firmed 20 cents to R10.80 after the UK conglomerate announced a 44 per cent jump in pre-tax profits for the year to September 30, as well as confirming its plans to split into two separate stock exchange-listed companies.

EUROPE

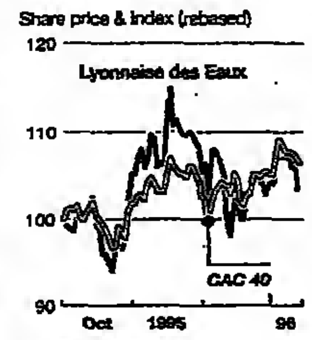
Paris troubled as bourses recover early losses

Continental European markets recovered from opening losses and generally tracked the afternoon rise on Wall Street.

PARIS was a case in point, but the market was troubled by further evidence that companies were having difficulty in meeting analysts' projections for 1995. Lyonnaise des Eaux and its subsidiary GTM-Entrepose were major casualties on just such a story.

Lyonnaise des Eaux

Share price & index (rebased)



Source: FT Extel

The parent, which fell FFr14.40 to FFr467.90, said that it now expected lower 1995 earnings than had previously been forecast, and that they could be below the 1994 level. Analysts had been looking for 1995 net profits of some FFr1.3bn, up from FFr1.06bn.

GTM, which dived FFr30.20 or 8.7 per cent to FFr318, expected 1995 to be in line with the year before.

The CAC-40 index slipped 12.38 to 1,897.85, off a session's low of 1,891.05, in average turnover of FFr3.4bn.

Cap Gemini Sogeti went with the market, down FFr1.30 to FFr122.20; but trading was in a holding pattern, said Mr Michael Diehl at Nomura in Paris, as the market awaited last night's news conference.

There were reports that the computer services company would announce a merger with its parent company Sogeti, and perhaps seek a capital increase. Mr Diehl said that the market would be looking to see that, if this were the case, shareholders in Cap Gemini received equitable terms.

Eurotunnel fell back again, down 15 centimes to FFr6.35, as the French government gave indications that it might not support plans for a bond issue.

FRANKFURT came off an early low of 2,316.12 to close with the Dax index 6.33 down at an Ibis-indicated 2,330.88. Its strengths, once again, were mostly in cyclicals, although the blue chip leader Hoechst, up another DM5.50 at DM413, got there partly because of the reduced contribution that bulk chemicals are expected to make to its earnings in future.

On Hoechst, Mr Hans-Peter Wodnick at Crédit Lyonnais in Frankfurt said that the appointment of Mr Jürgen Dormann as chairman last April had brought an emphasis on value for shareholders; and that restructuring, and the acquisition and integration of the Marion Merrell Dow drugs acquisition, remained the main reasons for the recent Hoechst upgrading.

Turnover was virtually unchanged at DM9.4bn. Banks performed especially poorly, partly because of Wednesday's Merrill Lynch downgrades: Dresdner fell 65 pfg to DM37.64; but Commerzbank and Bayernhypo fell DM3.70 to DM342.40 and 31 pfg to DM36.49 respectively, linked with a Hamburg newspaper story which said that a north German property investor faced bankruptcy with debts of up to DM1bn.

Other weak points included the tyremaker Continental, down 50 pfg to DM21.45 on profit-taking after a two-day gain of DM1.23; investors had seen good prospects for snow tyre sales after the early onset of extreme weather conditions this winter. However, they were less enthusiastic about the outlook for Douglas, the specialty retailer, and the shares dropped DM2.05 or 4.1 per cent to DM48.10.

MILAN, under a darkening cloud of uncertainty, awaited the response of the prime minister, Mr Lamberto Dini, to the two-day parliamentary debate which confirmed bitter divisions over the fate of the government.

Mr Dini's resignation came after the market closed. Meanwhile, the Comit index fell 1.37 to 586.05, while the real-time Mibtel index, which ranged between 9,273 and 9,399, reflecting the ups and downs of the day's debate, finished 26 weaker at 9,336.

Ferruzzi fell L14 to L1,023 amid expectations that holders of Ferruzzi rights may fight Mediobanca's decision to exclude them from the bank's bid for 9.9 per cent of Ferruzzi.

A L20 rise to L1,190 in the recently volatile Olivetti was attributed to short covering.

ZURICH remained at the mercy of profit-takers during a volatile day's trade which saw the SMI index fall to a low of 3,261.8, before pulling back to close 30.7 down at 3,284.1.

Some of last year's blue chip outperformers remained under pressure. Swiss Re gave up another SFr11 to SFr1,269 and Roche certificates fell SFr75 to SFr9,040. Surveillance was among the day's biggest losers, falling SFr80 to SFr2,340.

Second liners finding favour at the expense of the blue chips included Ascom, which picked up SFr35 to SFr1,240 and Motor-Columbus, which put on SFr35 to SFr2,215 on further market speculation that UBS was planning to sell its majority stake.

AMSTERDAM recovered most of its earlier loss by the close in a highly charged session. The AEX index fell 0.43 to 498.78, after an initial drop to 494.56.

One of the heaviest fallers was Royal Dutch which lost Fl 6.50 or 2.9 per cent to Fl 221.80, after a UK broker reiterated a sell recommendation. A similar story was said to have undermined Unilever, off Fl 3.50 at Fl 228.00.

However, there were recoveries in some of the issues which had come under pressure on Wednesday, notably Philips which improved Fl 2 to Fl 62.70, and was helped by reports of a broker's upgrade.

Nordic bourses offered recoveries in Ericsson B, up SKr4.50 at SKr124 on technical, fundamental and takeover rumour grounds; in Nokia A, FM7.10 better at FM153.10 and in Tele Danmark, DKr7 better at DKr303 in big volume as COPENHAGEN's KFX index rose 0.80 to 109.26.

Written and edited by William Cochrane, Michael Morgan and John Pitt

FT-SE Actuaries Share Indices

Jan 11 THE EUROPEAN SERIES								
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1503.26	1502.80	1503.39	1501.03	1502.88	1505.26	1506.00	1504.40
FT-SE Eurotrack 200	1582.09	1581.54	1582.32	1581.77	1582.50	1585.41	1587.11	1584.49

	Jan 10	Jan 9	Jan 8	Jan 5	Jan 4
FT-SE Eurotrack 100	1510.99	1527.11	1522.41	1518.20	1535.57
FT-SE Eurotrack 200	1592.67	1610.51	1615.67	1614.99	1631.71

Base 1000 (26/10/90); Highday: 100 - 1507.71; 200 - 1587.35 Lowday: 100 - 1500.59 200 - 1580.54 † Partial

ASIA PACIFIC

Weak technology sector leaves Nikkei 1.1% lower

Tokyo

The overnight plunge on Wall Street weighed on high-technology and financial stocks and the Nikkei average closed 1.1 per cent down, *writes Emiko Terazono in Tokyo.*

The 225-share index was off 234.40 at 20,377.92 after moving between 20,260.41 and 20,547.64. The appointment of Mr Ryutaro Hashimoto as Japanese prime minister failed to affect trading.

Volume totalled 476m shares, against 670.7m. Overseas investors, who had been leading buyers of Japanese shares, sold high-technology issues.

However, individual investors and brokerage dealers remained active in the trading of speculative stocks.

The Topix index of all first section stocks fell 17.47 to 1,599.98 and the Nikkei 300 shed 3.65 to 299.72. Declines overwhelmed rises by 825 to 269, with 128 issues unchanged.

The ISE/Nikkei 50 index closed 0.33 higher at 1,408.86.

Semiconductor shares fared poorly, as did their counterparts in New York, hit by the sharp drop in the book-to-bill ratio for December, which indicated the supply and demand balance for the US semiconductor market.

Toshiba, the most active issue of the day, dropped Y11 to Y837, Fujitsu declined Y30 to Y1,150 and Advantest slid Y50 to Y5,140.

Other high-technology stocks were also weaker, with Sony down Y140 to Y6,540 and Kyocera, the maker of ceramic packages for semiconductor chips, Y220 lower at Y7,350.

The rise in gold prices on overseas markets boosted mining issues. Sumitomo Metal Mining rose Y30 to Y1,040 and Mitsui Mining and Smelting Y10 to Y447 as gold futures rose to $400 per troy ounce in New York. Kanematsu, a trading company, rose Y21 to Y508 on reports of a successful test drilling of natural gas in Indonesia.

Speculative stocks gained ground on active buying. JDC, a mid-sized general contractor, rose Y70 to Y590 and Kurabo Industries, the synthetic fibre maker, put on Y36 at Y480.

In Osaka, the OSE average fell 185.53 to 21,973.36 in volume of 138.1m shares. Profit-taking drove Kanematsu Nissan Norin, a former plywood maker that now manufactures construction equipment, down Y560 to Y3,230. The stock is believed to have been targeted by speculators.

Roundup

Sharp early losses were erased in HONG KONG and the market closed 1.2 per cent higher. Foreign funds reappeared as bargain hunters after Wall Street's overnight plunge prompted a reassessment of Asian markets.

The Hang Seng index was up 123.19 to 10,429.82, off an early low of 10,196.00. But turnover shrank to HK$5bn from Wednesday's HK$9.3bn.

Hutchison was actively traded, bouncing HK$1 to HK$49.70 from an early low of HK$48.

Hopewell and its Cepa unit also climbed sharply after talk of a Cepa rights issue was denied and on fresh rumours that the parent group was considering a spin-off of its China and Thai infrastructure projects instead.

Hopewell increased by 25 cents to HK$4.775 and Cepa by 55 cents to HK$13.45 after recent sharp losses.

SYDNEY rose nearly 30 points from the market's intra-day low, after the release of unexpectedly strong December jobs data and on heavy buying of mining stocks.

The All Ordinaries index closed 10.5 better at 2,248.70, off a high of 2,249.60 and low of 2,220.1. Turnover was A$793.9m with 329.5m shares changing hands. The number of new jobs in December rose by 4,900, which contrasted with forecasts of a decline of between 35,000 to 50,000.

Plutonic led miners, rising 57 cents to A$7.45, followed by Newcrest Mining, up 38 cents at A$6.62. The All Mining index moved up 18.50 to 1,032.80.

Western Mining went in the opposite direction on brokers' downgrades of earnings forecasts, losing 8 cents to A$8.55.

SINGAPORE rebounded from morning weakness as London and European funds bought blue chips.

The Straits Times Industrial index picked up 7.38 points to 2,369.49.

Boustead Holdings, the property company, appreciated 3 cents to S$1.61 in further active trade. The company has yet to answer a query from the exchange on sharp increases in share price and volume.

SPP, the construction company, rose 7 cents to S$1.09 on renewed takeover rumours.

MANILA recovered from a weak opening to close slightly firmer on selective buying, and bringing a four-day losing streak to an end.

The composite index fell 19.5 points initially before closing 6.25 higher at 2,664.73.

Volume was moderate, with 3.5bn shares worth 2bn pesos changing hands.

Mining issues led the recovery as investors bought gold producers following the increase in the price of bullion on the world market.

WELLINGTON's forestry stocks came under persistent selling pressure again. The NZSE-40 capital index ended off 21.45 at 2,129.90 after Carter Holt Harvey shed 7 cents to NZ$3.07 and Fletcher Challenge fell 2 cents to NZ$3.44.

Dealers said that both were being sold on fears that the pulp and paper cycle had peaked. Since January 3 Fletcher has lost 6 per cent and CHH 10 per cent.

JAKARTA staged a modest rebound due to active late buying, as investors hunted for bargains after recent falls. The composite index rose 5.14 or 1 per cent to 533.78. Kabelmetal Indonesia made a strong rebound after recent falls as it added Rp125 at Rp2,225.

BANGKOK recovered late to close higher in moderate trade after foreign investors re-entered the market and bought large-capitalisation banking and finance issues.

The SET index ended 17.32 higher at 1,369.66 in turnover of Bt10.5bn. Thai Military Bank topped the active stocks list, rising Bt5 to Bt101.

KUALA LUMPUR's speculative issues were again heavily traded after a slow start but the composite index finished 5.98 weaker at 1,046.79 as institutional investors locked in profits on a handful of heavyweights.

Malaysia Airlines lost 15 cents to M$8.00, partly on worries of a cash call to pay for its M$10bn aircraft acquisition programme.

SEOUL closed slightly lower after fluctuating widely on profit-taking following the market's rises in recent days. Analysts noted that the consolidation began when the composite index hit a high of 894.49. By the close, the index was 1.81 lower at 883.96.

Banks and some contractors maintained their strength but telecommunications-linked stocks, which performed well until this morning, ran into profit-taking.

COLOMBO finished slightly higher, with the all-share index rising 1.68 to 664.28. Turnover was SLRs25.6m, after Wednesday's SLRs51.9m.

Commercial Bank led the actives and moved forward SLRs4.50 to SLRs210.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JANUARY 10 1996								TUESDAY JANUARY 9 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (81)	192.78	-1.0	184.97	127.87	144.15	171.73	-1.2	3.89	194.65	186.71	129.44	146.05	173.78	196.40	157.95	165.21
Austria (26)	183.93	-0.4	176.49	122.01	137.54	137.39	-0.6	1.52	184.73	177.20	122.84	138.60	138.48	199.28	167.48	160.00
Belgium (34)	214.85	-0.2	206.15	142.52	160.65	158.72	-0.5	3.34	215.22	206.45	143.12	151.48	157.53	215.22	165.86	168.20
Brazil (28)	146.34	-1.4	140.42	97.07	109.42	261.85	-1.4	1.68	148.35	142.30	98.65	111.31	265.45	160.23	86.06	123.80
Canada (101)	150.33	-0.9	144.24	99.72	112.41	148.49	-0.7	2.51	151.64	145.45	100.83	113.77	149.52	153.19	121.81	127.96
Denmark (33)	295.35	0.2	283.41	195.92	220.86	223.44	-0.1	1.46	294.88	282.86	196.09	221.25	223.78	295.99	246.18	255.05
Finland (24)	173.93	-2.4	166.89	115.38	130.06	158.90	-2.7	2.00	178.28	170.99	118.54	133.75	163.28	278.11	171.13	195.80
France (99)	182.30	-0.1	174.92	120.93	136.32	140.98	-0.4	3.09	182.44	175.00	121.32	136.55	141.53	191.17	157.79	162.55
Germany (60)	168.39	0.0	161.57	111.70	125.61	125.91	-0.3	1.90	168.37	161.50	111.96	126.33	126.33	168.39	139.77	140.92
Hong Kong (58)	399.39	-1.0	383.23	264.93	298.65	396.52	-1.0	3.61	403.35	386.91	268.22	302.64	400.45	408.53	277.40	298.33
Ireland (16)	260.03	-0.7	249.50	172.48	194.44	229.58	-0.7	3.34	251.80	251.12	174.09	196.43	231.29	262.70	204.97	210.01
Italy (59)	73.40	-0.9	70.43	48.69	54.88	86.23	-1.0	1.70	74.09	71.06	49.27	55.59	87.13	82.71	65.45	72.98
Japan (482)	155.88	-0.2	148.57	103.40	116.56	103.40	-0.4	0.74	156.13	149.76	103.82	117.14	103.82	158.95	136.95	153.08
Malaysia (108)	516.99	0.2	496.06	342.94	385.58	508.83	0.1	1.63	515.77	494.74	342.98	386.98	502.22	561.96	396.16	449.21
Mexico (18)	1154.83	0.4	1108.09	766.04	862.50	8513.83	1.1	1.46	1149.72	1102.85	764.64	862.64	8409.00	1247.20	647.51	1028.99
Netherland (19)	278.56	-0.1	267.29	184.78	208.30	264.63	-0.4	3.11	278.81	267.44	185.46	209.19	265.69	280.49	216.66	216.31
New Zealand (14)	80.27	-0.8	77.02	53.25	60.02	84.74	-0.8	4.48	80.91	77.61	53.80	60.71	85.25	85.49	71.01	71.20
Norway (33)	236.42	-1.0	226.85	156.83	176.70	203.19	-1.3	2.05	238.81	229.17	158.87	179.29	205.94	243.79	202.76	209.48
Singapore (44)	419.68	-0.3	402.70	278.39	313.66	275.05	-0.5	1.46	421.15	403.98	280.05	315.99	276.27	428.22	313.94	358.19
South Africa (45)	415.81	0.0	399.03	275.89	311.00	329.56	0.0	3.89	415.73	398.78	276.45	311.90	329.55	415.81	281.06	317.81
Spain (37)	166.93	-0.6	160.17	110.73	124.82	152.88	-0.8	4.01	167.95	161.10	111.68	126.01	154.32	168.91	124.10	128.14
Sweden (47)	309.86	-1.9	297.32	205.54	231.70	301.92	-2.3	1.99	315.74	302.87	209.96	236.90	309.00	324.31	232.23	238.13
Switzerland (40)	233.25	-0.8	223.73	156.05	175.91	169.47	-1.2	1.57	237.12	227.45	157.68	177.91	171.61	239.55	182.35	166.06
Thailand (46)	179.20	0.2	171.94	118.87	134.00	175.54	0.2	2.33	178.75	171.46	118.86	134.11	175.24	184.53	130.15	151.39
United Kingdom (206)	228.46	-0.8	219.23	151.56	170.84	219.23	-0.8	4.23	230.39	220.97	153.19	172.84	220.97	232.23	191.53	193.97
USA (634)	243.34	-1.8	233.49	161.42	181.98	243.34	-1.8	2.32	247.78	237.68	164.77	185.91	247.78	250.30	188.84	188.92
Americas (781)	222.53	-1.7	213.53	147.62	166.40	187.02	-1.7	2.32	226.47	217.24	150.60	169.92	190.30	231.18	173.84	173.84
Europe (733)	201.82	-0.6	193.65	133.87	150.91	171.43	-0.8	3.08	202.99	194.72	134.99	152.31	172.73	204.32	167.26	167.93
Nordic (137)	273.85	-1.5	262.77	181.66	204.77	231.39	-1.9	1.90	277.97	266.63	184.84	208.56	235.75	285.02	222.22	223.56
Pacific Basin (834)	167.04	-0.2	160.28	110.80	124.90	114.19	-0.5	1.18	167.45	160.62	111.35	125.64	114.72	171.87	145.97	159.46
Euro-Pacific (1567)	181.42	-0.4	174.08	120.34	135.66	135.66	-0.6	2.05	182.15	174.72	121.13	136.67	136.62	183.35	154.73	162.90
North America (735)	237.55	-1.8	227.93	157.57	177.63	236.91	-1.8	2.33	241.90	231.94	160.79	181.42	241.14	244.55	185.03	185.14
Europe Ex. UK (527)	182.69	-0.5	175.29	121.18	136.61	144.69	-0.8	2.41	183.51	176.02	122.03	137.69	145.93	184.51	149.99	150.32
Pacific Ex. Japan (352)	273.32	-0.6	262.26	181.31	204.38	241.01	-0.7	3.06	275.04	263.83	182.90	206.35	242.75	276.50	211.19	224.70
World Ex. US (1759)	182.79	-0.4	175.39	121.25	136.68	140.01	-0.6	2.08	183.51	176.03	122.05	137.70	140.85	184.71	156.42	163.30
World Ex. UK (2187)	198.21	-1.0	190.19	131.48	148.21	164.95	-1.1	1.97	200.19	192.03	133.12	150.21	166.81	202.03	183.46	186.48
World Ex. Japan (1911)	226.54	-1.2	217.37	150.27	169.39	212.01	-1.3	2.65	229.36	220.01	152.52	172.09	214.31	232.30	181.90	182.02
The World Index (2393)	200.67	-1.0	192.74	133.25	150.20	169.79	-1.1	2.16	202.85	194.58	134.89	152.20	171.65	204.65	159.92	170.72

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